

 **Rakuten Bank**

A N N U A L R E P O R T

**2012**

Celebrating our 10th anniversary in 2011, Rakuten Bank aspires to become the main bank of choice for our customers.

With the desire to provide highly convenient, secure and economic settlement services, our bank began operations in 2001 aiming to invent a brand new business model for banking.

Open 24 hours a day, with access via the internet and mobile phones, we provide competitive interest rates and transaction fees.

In addition, we have developed fast, efficient IT systems, which allow us to provide not only settlement services but also a wide range of products including financial products and personal loans, helping us grow to be the largest internet bank in Japan with over 4.0 million accounts.

In 2011, we marked our 10th anniversary, thanks to the support of all of our stakeholders.

Rakuten Bank aims to continually upgrade and expand our service offerings to provide services essential to our customers' everyday lives and become their main bank, not just an internet bank with complementary offerings to the existing banking industry.

Aspiring to be our customers' main bank.

Count on Rakuten Bank to exceed your expectations.

#### Cautionary Statement

In this report, unless indicated otherwise, references to "Rakuten Bank", "we", "our" and "us" are to Rakuten Bank, Ltd. and its consolidated subsidiaries. Statements regarding current plans, strategies, beliefs and other statements that are not historical facts of Rakuten Bank are forward-looking statements. Such forward-looking statements are based on management's assumptions and beliefs in light of information currently available and it should be noted that risks and unforeseen factors could cause actual results to differ significantly from those discussed in the report.

We do not intend to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws.

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# Message from the CEO

We will continue to  
provide revolutionary Rakuten Bank services & products

## To our stakeholders

I would like to take this opportunity to thank all the our stakeholders for their continued support.

We have prepared our financial statements for fiscal 2011 in our 2012 Annual Report, for your review. This year, we achieved our best performance to date with consolidated ordinary income of JPY 38.28 billion (+7.1% vs. FY2010), consolidated ordinary profit of JPY6.29 billion (+132.4%) and net profit of JPY 10.76 billion (+92.6%).

Since our launch in 2001, we have provided service 24 hours a day 365 days year, and on top of our core business of settlement services, we have worked to enhance our selection of financial products to include deposits, financial card products, investment trusts, foreign currency deposits, and exchange-traded foreign exchange margin transaction products, among others. This has allowed us to become the leading internet bank in Japan with over 4.0 million accounts, thanks to the support of our customers. We became a member of the Rakuten Group in February 2009 and officially changed our corporate name to Rakuten Bank, Ltd. from eBANK Corporation in May 2010, completing our transition to a wholly-owned subsidiary of Rakuten, Inc. in October 2010 in time to celebrate our 10th anniversary.

Through co-operation with Rakuten Inc. —the operator of the Japan's leading internet shopping mall with over 75 million members, Rakuten Bank— Japan's internet banking leader is able to provide unique products & services with unprecedented speed to our customers. In April 2009, we began providing our personal loan service, an integrated service with Rakuten Credit. In August of the same year, we began new services that make daily life easier for Rakuten members, including the Rakuten Bank direct payment option on Rakuten Ichiba, the central business of the Rakuten Group, and the issuance of Rakuten Bank Card, an integrated cash and credit card in co-operation with Rakuten Card.

In addition, we launched the Happy Program in March 2010, which allows our customers to earn benefits, not just from holding deposits with us but also from using a variety of our services including bank transfers, toto, and public races. We consolidated the business of Rakuten Mortgage Co., Ltd. into Rakuten Bank in December 2010 and then began expanding their Flat 35 mortgage business, and launched our quick and easy low fee online remittance service for corporate customers in January 2011.

In Fiscal 2011, we continued to deepen our relationship with our customers by working hard to expand our product and service lineup, and strengthen our systems to increase usability and service levels.

In particular, we continued to increase the synergies with the Rakuten group to increase our service usability for customers, such as the launch of Money Bridge in April which allows customers to transfer funds seamlessly between their Rakuten Bank and Rakuten Securities accounts, manage their account balances in one place and receive preferential interest rates on their ordinary deposits. In August we began purchasing securitized credit card receivables (declaration of trust) from Rakuten Card, and also began providing Fixed and Floating home loans which allow customers to choose a combined ratio of fixed and floating interest rates for the full period of the loan. Going forward, we will continue to expand our product & service lineup, develop more convenient & innovative services, and further deepen our relationship with our customers to become an internet bank that people find accessible and trustworthy. We would also like to contribute to society and become recognized as a pillar of society.

Thank you very much for your continued support.

**Shunichi Nagata**

CEO of Rakuten Bank, Ltd.



# Advantages of Rakuten Bank

The realization of innovative products & services

The unique features of Rakuten Bank

Rakuten Bank strives to create the products & services that our customers really want.

We aim to increase customer satisfaction by creating new services that other banks would never think of.

## Available anytime- 24 hours a day, 365 days a year

Our services are available by PC or mobile phone 24 hours a day, 365 days a year. (exc. system maintenance periods)

It goes without saying that there are no fees to open and/or maintain an account.



## Transact anywhere from mobile & smart phones



The same services available by PC are available via mobile phones (exc. a small subset of services). In addition, customers can restrict access to specific mobile phones

through our Mobile Access Restriction service, increasing the security level of their transactions.

We also offer a free Rakuten Bank smart phone app for iPhone and Android.

## Largest internet bank by total accounts

Over 4 million accounts- the largest number of accounts among Japanese internet banks (as of June 2012)

## Easy account opening process

It is possible to apply for an account 24 hours a day via PC or mobile.

Customers can simply take pictures of their ID verification documents with their mobile camera and send them in, without having to write long application documents or provide their family seal.



## Towards being the main account of Rakuten members

With our Happy Program customer loyalty program, customers can earn Rakuten Super points through their use of Rakuten Bank services, which can be used at Rakuten Ichiba, Rakuten Books and other Rakuten group businesses, along with being used for payment of bank transfer fees.

With the Rakuten Bank card which combines a cash card with a Rakuten Card credit card, customers can earn double points on their Rakuten Ichiba purchases, in addition to other special weekly and monthly privileges.



Additionally, if customers register for our Money Bridge linked account service with Rakuten Securities, they can receive further privileges including a preferential interest rate on their ordinary deposits.

Through the combination of a Rakuten Bank account with other Rakuten services, customers can earn many privileges.

## Cashing is available at almost all domestic convenience store ATMs

Cashing (deposits & withdrawals) is available via ATMs across Japan via Japan Post Bank, Seven Bank, Aeon Bank, E-net network (Family Mart and Ministop convenience stores, etc.) and Lawson ATMs.



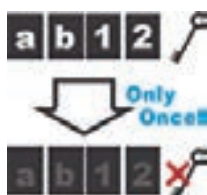
# Security Measures

We maintain a consistently high level of security and continually work towards improving our standards, to ensure that customers can always feel secure using Rakuten Bank.

## Core Security Measures

### One Time Authentication

A security service where a randomized password (one time key) is issued each time there is a relevant transaction and sent by e-mail to the registered address and used to authenticate the transaction.



### Security Questions

When a customer logs into their Rakuten Bank account, an overall analysis of their PC environment is done and if additional authentication is deemed necessary through the automated system, a security questions will be asked to complete the login.



### VeriSign Extended Validation SSL

As a countermeasure to phishing, we employ VeriSign Japan KK's Extended Validation SSL (EV-SSL)

### Security Keyboard

We have a security keyboard available which utilizes one time functionality to prevent key loggers and other spyware. It allows customers to safely input the numbers of their pin code via alphabetic code.

## Other Measures

### 128bit SSL encryption

Private information is encrypted utilizing 128bitSSL encryption technology, to prevent the theft and/or alteration of customers' personal information. Our mobile banking services utilize the same level of 128bitSSL encryption as our online services.

### Transaction Notices

E-mail notice is sent to customer's registered e-mail address when there are deposits & withdrawals, changes in information, and logins which required additional authentication. It is possible to register a mobile phone e-mail address in addition to PC addresses.

### Login History

With data stored for up to 50 past login dates/times and IP addresses (up to one month), it is possible to detect third party logins early. (It is possible to check for logins at unfamiliar dates/times or IP addresses.)

### Timeout

After logging in to Rakuten Bank, if there are no interactions for a certain period of time, the system will automatically log the customer out, preventing possible fraudulent use by third parties. This is also applicable to mobile banking.

### IP Restriction Service

By pre-registering their internet provider (domain name, IP address), customers can restrict transactions that require authentication to registered IP addresses.

### Login Restrictions

With a one time key authentication sent to the customer's registered e-mail address, in addition to the User ID and Login password at login, authentication is reinforced. It is very effective towards preventing fraudulent login.

### Mobile Access Restriction

By setting up mobile access restrictions, customers can restrict login access from non-registered mobiles and/or smart phones, preventing identity theft by third parties.

### Maximum Limits on Transfers

By utilizing the optional setting to limit the available amount for transfer per day (units of 1,000 yen), customers can minimize the potential value of fraudulent activity in the remote chance of a breach on their account.

### ■ ATM Withdrawal Restriction

By utilizing the optional settings to restrict withdrawals from specific ATM alliance partners, set a maximum ATM withdrawal amount, and/or limit the time of day for withdrawals, customers can minimize the potential value of fraudulent cash card usage.

### ■ VISA Debit Use Restrictions

Customers can utilize the optional settings to restrict use of their VISA debit card and/or set daily usage limits (JPY1,000 to JPY1 million) by units of JPY 1,000.

### ■ VISA Authentication Service

On VISA debit use at online shopping member stores that participate in VISA authentication service, customers can optionally set a password for authentication, to prevent fraudulent use by third parties.



### ■ Compensation for Cash card-related fraud

For individual customers, in the case of fraudulent use related to the automatic withdrawal of funds (ATM etc.) by a third party from a falsified or stolen cash card, the general principal is that Rakuten Bank will compensate the customer in full for the loss.

### ■ Compensation for Internet Banking fraud

In the case that an individual customer is a victim of an unauthorized repayment through internet banking, in compliance with the Deposit Insurance law and in agreement with the Japanese Bankers Association, if the customer themselves is not at fault for the fraud, we will compensate the customer in accordance with our internal procedures even if Rakuten Bank is not at fault.

### ■ Shopping Insurance (Card Purchase Movable Comprehensive Insurance)

For products purchased with the Rakuten Bank debit card (Gold), for 60 days after purchase, losses from breakage or property loss including accidental loss will be compensated.

\*In cases of a customer's gross negligence or negligence, it is possible that the loss will be deemed ineligible for compensation or only partial compensation will be paid. We will review each case directly with the customer to resolve it. For detailed conditions for compensation, please review our website. (Japanese only)

## ■ Compensation/Remedies in case of damages

In the case that a customer falls victim to fraud, Rakuten Bank will co-operate with law enforcement to provide the required information and help any investigations. In addition, we have prepared multiple remedies to resolve issues related to any fraud.

### ■ Relief for Bank Transfer Scams

For damages related to bank transfer scams, customers can request a damage recovery benefit in accordance to the Furikome Fraud Relief Act (Act on Damage Recovery Benefit Distributed from Fund in Bank Accounts Used for Crimes).

# Products & Services

## Rakuten Group Privileges

- ▶ Rakuten Bank Card ▶ Linked to Rakuten ID
- ▶ Happy Program ▶ Rakuten Super Points
- ▶ Rakuten Bank Direct Payment ▶ Money Bridge

## Yen deposits

- ▶ Savings Accounts
- ▶ Term Deposits
- ▶ Structured Term Deposits



## Loans

- ▶ Super Loan (Personal Loan)
- ▶ FLAT 35 Home Loan



## Securities

- ▶ Securities (Financial Products intermediary)

## Forex, Investment Trusts

- ▶ Foreign Currency Deposits
- ▶ FX margin trading "Click 365"
- ▶ Investment Trusts



## Lottery public races

- ▶ Lottery ▶ Bicycle races
- ▶ Horse races ▶ Auto races
- ▶ Boat races

## Cards

- ▶ Rakuten Bank Card ▶ Rakuten Bank Debit Card
- ▶ Rakuten Bank Cash Card ▶ Rakuten Bank Cedyna Card
- ▶ Rakuten Bank Jaune Card

## Transfers, Transactions

- ▶ ATM ▶ Mail Money
- ▶ Scheduled Transfers ▶ Monthly Schedule Transfers
- ▶ Automatic Payment Transfers ▶ Pay-easy
- ▶ Free transfers from own Japan Post bank account

## Insurance

- ▶ Health Insurance ▶ Cancer Insurance
- ▶ Car Insurance ▶ Accident Insurance
- ▶ Term Insurance ▶ Leisure Insurance

## Other Services

- ▶ Point-Cash Conversion
- ▶ Designated Salary Payment account
- ▶ Gold Rush Program

# Featured Products & Services

## Happy Program

Earn Rakuten Super points  
by using Rakuten Bank services

A program that rewards customers with a variety of privileges, based not only on the customers' asset balance held with us, but also their usage levels of our wide range of services such as bank transfers, Lottery and public races

### Happy Program privileges include-

- Free ATM withdrawal fees and transfer fees
- Ability to earn Rakuten Super Points
- Ability to pay transfer fees with Super Points
- Ability to use Rakuten Bank settlement services for purchases in Rakuten Ichiba

Happy Program privileges

Member Stage	 Beginner	 Standard	 Premium	 VIP	 Super VIP
Rakuten Super Points [ Multiplier ]	1 x	2 x	2 x	3 x	3 x
ATM fees [ Free Uses ]	0 x	1 x	2 x	5 x	7 x
Interbank Transfers [ Free Uses ]	1 x	3 x	5 x	7 x	10 x
Other Privileges	Can use Rakuten Super Points to pay transfer fees 3 to 5 Free transfers with registration as salary deposit account				
Conditions	Entry [ link Rakuten Member account ]	JPY Balance 100 thousand+ or level 30+	JPY Balance 500 thousand+ or level 75+	JPY Balance 1 million+ or level 150+	JPY Balance 3 million+ or level 300+

# Featured Products & Services

## Smart Phone Apps

The Rakuten Bank app allows users access to a subset of services provided by Rakuten Bank. Transaction such as viewing account balances, reviewing transaction histories, or making e-mail bank transfers (Mail Money) can be conducted easily using this app with a few simple steps. In addition, the app allows easy log-in into our smart phone optimized online portal, where services not available directly on the app such as bank transfers, lottery (BIG/toto) purchases and Visa debit transaction history review can be conducted.



iPhone/iPod Touch/iPad



Android



au Market

View ordinary deposit account transaction history (up to 50 transactions)



Choose your favorite color for the "My Account" page



When you turn the smart phone sideways, account information is displayed in bank book format



### Submitting ID Verification documents

After applying for an account, ID verification documents can be sent in **as fast as 3 minutes**



#### Submitting ID verification documents for account opening

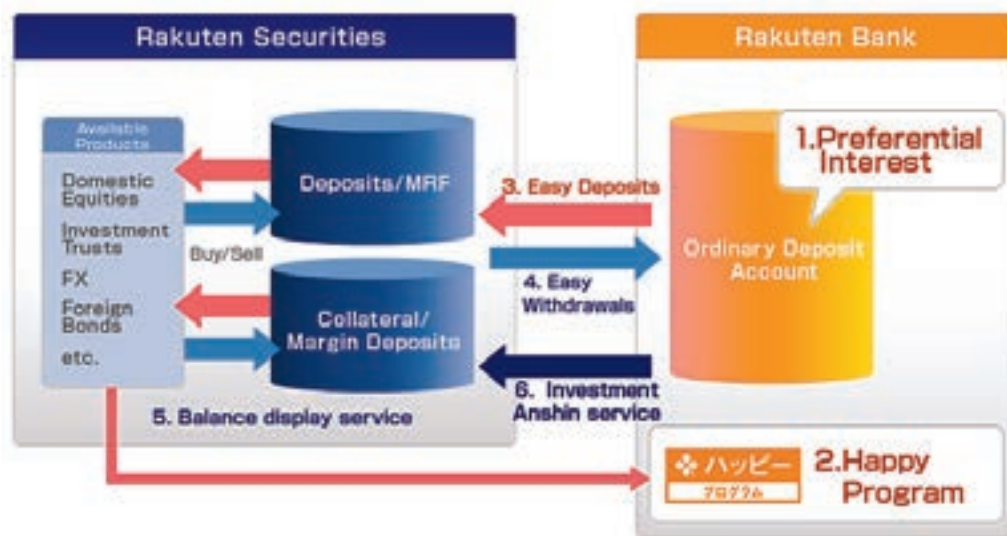
1. After launching the app, select "Send Documents" at the bottom of the screen.
2. On the application information screen, select "Account Opening Application"
3. Enter the registration number and access key sent by Rakuten Bank separately, along with the birthdate registered at application.
4. Then, send the documents following the instructions stated on the screen.

\*Japanese only.

## Money Bridge

### Account linkage service with Rakuten Securities Preferential interest rates on ordinary deposits

Seamless deposits and withdrawals between your Rakuten Bank and Rakuten Securities accounts, with the ability to manage your account balances in one place, and preferential interest rate on ordinary deposits.



#### 1 Preferential Interest Rate

Preferential interest rate for excess investment cash held in your Rakuten Bank ordinary deposit account

#### 2 Happy Program

Receive Rakuten Super points and levels on your Rakuten Securities transactions

#### 3 Easy deposits

One-click deposits from your Rakuten Bank account to your Rakuten Securities account via the Rakuten Securities portal site

#### 4 Easy withdrawals

Same day transfers from your Rakuten Securities account to your Rakuten Bank account via the Rakuten Securities portal site

#### 5 Balance display service

Rakuten Bank ordinary deposit account balance is automatically displayed in your Rakuten Securities portal site

#### 6 Automatic sweep service

Automatic sweep when Securities account margin ratio goes below required rate

# Featured Products & Services

## Rakuten Bank Debit Card

**Finally! A Visa card that anybody can hold without a credit check**

**Anyone**

Anybody **above 16 years** old can carry one

**Anywhere**

Use it **24 hours a day, 365 days a year** at any Visa member store globally

**Secure**

View transaction history right away **online** or by **mobile**

**Value**

**Earn points** with use, loaded with happy privileges

### ■ Visa Debit card and cash card in one

A Rakuten Bank cash card combined with a Visa debit card that can be used at Visa merchant stores across the world 24 hours a day 365 days a year. The Visa debit card can be used like a credit card within the limit of your deposit balance, to conduct cashless transactions without the risk of overspending and has privileges only Rakuten Bank can provide.



Rakuten Bank Debit Card (Gold)



Rakuten Bank Debit Card

### ■ Withdraw money in local currency at global ATMs from your account

Withdraw cash in local currency around the world from your ordinary deposit account. Use at ATMs with the Visa and/or PLUS mark at airports, stations and shopping centers, etc. while traveling.



### ■ Online transaction history and security settings

Transaction history is not mailed, it is available online to review at anytime. In the remote chance of misuse, notifications are sent by e-mail so you will be informed right away.



### ■ Earn Rakuten Super points with Visa transactions

Cardholders can earn points based on the amount spent through transactions paid by Visa debit.

## Structured Term Deposits

Structured term deposits are a new type of Japanese yen term deposit which differ from ordinary term deposits as they include a special option, which allows us to offer our customers a higher interest rate over ordinary Japanese yen term deposits.

In principle, early withdrawal is not possible so please thoroughly review the product details and apply for this product only with excess available funds.

### High interest rate and Principal Guarantee

We are able to offer higher interest than our ordinary deposit rate. And, if the product is held until maturity without early withdrawal, the principal is guaranteed.

### Covered by deposit insurance

Combined Japanese yen ordinary deposit, Japanese yen term deposit and structure terms deposit holdings of up to JPY 10 million and the interest earned on the principal amount are covered.

#### <Main Products available>

##### Rakuten Step Up Deposit

Term deposit that can be held for 8 years  
However, if Rakuten Bank decides to accelerate the maturity, the deposit term shortens to the accelerated maturity date (3 years, 4 years, 5 years, 6 years or 7 years later). (special maturity option)

##### Percussion 10

Term deposit that can be held for 10 years  
However, if Rakuten Bank decides to accelerate the maturity, the deposit term shortens to the accelerated maturity date (5 years later). (special maturity option)

#### <Terms & Conditions>

- In principle, early withdrawal is not possible.
- In the case where Rakuten Bank grants an exception for compelling circumstances, an early withdrawal penalty will be charged, and there is a high risk that this will result in the loss of principal. In such case, accrued interest from the time of deposit to early withdrawal will not be paid. (If held to maturity, principal is guaranteed.)
- This product is covered by deposit insurance.

Thoroughly review the product details and always apply for this product only with excess available funds.

## Foreign Currency Deposits

### Execute transactions anytime at exchange rates linked to prevailing market rates

#### Execute transactions 24 hours a day\*

Rakuten Bank's exchange rates are linked to prevailing market exchange rates. It is possible to conduct foreign deposit transactions anytime, anywhere during transaction hours from a PC or mobile phone.

\*In general, every week from Monday 8:00am to Saturday 2:59am

#### Low exchange costs

7 available currencies. Low exchange costs for transactions in each available currency.

#### <Terms & Conditions>

Interest received is subject to income tax.

This product is not covered by deposit insurance.

#### Exchange costs (on deposits, withdrawals)

	Australia Dollar	45bps
	Mexican Peso	20bps
	South African Rand	30bps
	US Dollar	25bps
	Euro	25bps
	British Pound	45bps

# Featured Products & Services

## Mail Money E-mail Transfers

Transfer money with just a person's e-mail address and registered name

### Low Transfer Fee

Compared to the normal transfer fee of JPY 250 for transfers of over JPY 30,000, the maximum fee for Mail Money is a low JPY 160.

Also, if the beneficiary holds a Rakuten Bank account and you send the funds to their registered e-mail address the money will be transferred in real time for only JPY50.



### Transfer money without a branch code or account number

Money can be transferred with just the beneficiary's name and e-mail address, so the sender does not need to bother with inputting the bank information. It is also convenient and secure for the beneficiary as they can choose which account to receive the money in and do not need to share their account information.

\*If the beneficiary holds a Rakuten Bank account and the money is transferred to their registered e-mail address, the money is transferred in real time automatically.

## Rakuten Bank Direct Payment

Rakuten Bank direct payment (account transfer) allows customers to pay for purchases online with just their Rakuten ID.



## Lottery (BIG, toto)

With a Rakuten Bank account, easily purchase tickets on the web or mobile phone

With a Rakuten Bank account, customers can purchase BIG and toto lottery tickets at anytime after a simple registration process.

Customers won't miss the chance to purchase a ticket because they can buy online at their own leisure.



### Omakase BIG

Omakase BIG (Subscription purchase) is a service which allows customers to register for automatic purchase of a set number of tickets before they are available for purchase

for the J League games which the schedule has been announced for. With Omakase BIG, customers do not have to risk the chance of forgetting to purchase a ticket.

## Rakuten Bank Super Loans (Personal Loan)

Super loan applications can be made completely online, and funds can be borrowed or repaid 24 hours a day by PC or mobile phone.

Of course it is possible to apply without a Rakuten Bank account.

However, customers who have already registered for a Rakuten Bank account can apply through the easy application function, reducing cumbersome data entry.



### Low Interest Rates 4.9-14.5% Annually

\*No application or annual fees



### In General, No Proof of Income is Required

No need to submit annoying paperwork.

\*Up to JPY 1 million

\*Required for Self-employed persons and/or company representative directors



### Up to JPY 5 Million Limit. Available for a Wide Range of Uses.

- Loan consolidation, refinancing
- Everyday expenses
- Investing in yourself- education, etc.
- Hobbies and/or Travels
- Children's education



### Strong Customer Support via our dedicated “Member’s Desk” site

Can login from PC or mobile!

Transaction history is available on the web, maintaining your privacy as nothing is sent to your home or office.

\*A subset of customers excluded

## Home Loans

### No branch visits required

There are no branch visits required to apply or complete the contracts. Have peace of mind as each customer has their own representative.



### Low interest rates

Rakuten Bank's home loans have the lowest rate among the 340 financial institutions providing FLAT35 loans.

### Low administration fees

Loan administration fee is only 1.365% of loan value. (regular rate, inc. tax)  
With Smile Program enrollment, Rakuten Bank course is only 1.05% of loan value (inc. tax)

**FLAT35** Home loan from Japan Housing Finance Agency, up to 35 year loan with fixed interest rate during the whole loan term.

As the interest rate does not change, customers do not need to worry about increases in loan payments.

**Bridge Loan** Loan available to bridge the period from construction to completion of full Home Loan.

# Featured Products & Services

## Featured Services for our Corporate Account Holders

### International Remittances

Corporate international remittance service which can be completed online

#### Low Remittance Fees

On top of low remittance fees, there are no initial fees or monthly services fees

#### Complete on the Internet!

#### No Need to Visit a Branch

It is easy to conduct transfers online with a PC. Of course, it is possible to transact at night too.

\*Excluding weekdays 23:50-0:10, weekends (Saturday 23:50-Monday 6:00), New Years (Dec.31-Jan.3), and system maintenance periods



#### 67 Currencies Available

In addition to major currencies such as USD, EUR, GBP, AUD, NZD, CHF, many Asian currencies such as Chinese Yuan, Korean Won, Thai Baht and a wide range of other global currencies are also available. It is possible to send USD to China, in addition to Chinese Yuan.



#### Send Funds to 206 Countries

It is possible to send remittances to many different countries, not only major countries such as the US, UK or China. While the time to complete remittances varies depending on currency, beneficiary country, and number of intermediary banks, but in general funds are remitted within 1 to 3 days of transfer date.



\*There are cases where the processing at the beneficiary bank and/or country require additional days.

### Multi-Transfer Service

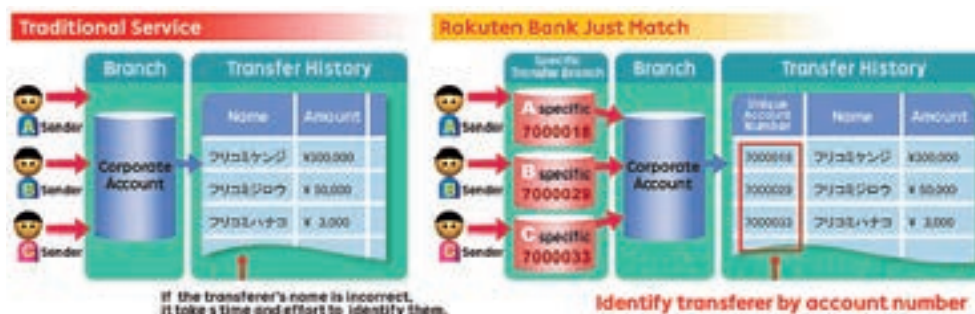
This service makes it possible to send a large volume of transfers easily and cost effectively to Rakuten Bank and corresponding banks. There is no software purchase or system development required, and it is possible to review the transfer result data on the transaction page.



### Rakuten Bank Just Match

It is possible to confirm the sender of funds by their exclusive account number.

This increases the efficiency of accounting for funds transferred in and managing accounts receivable.



# CSR Activities

## Rakuten Bank Corporate Social Responsibility

Rakuten Bank practices Corporate Social Responsibility management to support the realization of a sustainable society, under the mission of contributing to economically and morally rich societal development by providing efficient settlement tools.

In addition, Rakuten Bank is proactively involved in social contribution activities and environmental activities to support economic, social and environmental development as a good corporate citizen.

### chokotto iikoto program

The chokotto iikoto program allows customers to make automatic regular donations to participating foundations, with the cost of making donations to the program covered by participating corporations and Rakuten Bank.



### Support of fundraising activities

Focusing on domestic charitable foundations, Rakuten Bank has created special donation accounts. Donations can be made at any time to these special accounts.

### Rakuten Clutch Fundraising Initiative

From June 2011, as an official member of the Rakuten Group, we launched our Rakuten Clutch Fundraising Initiative to accept donations, utilizing the Tohoku Rakuten Golden Eagles character Clutch as its mascot.



### Building elementary schools in South East Asia

In past years, Rakuten Bank funded the building of an elementary school in Cambodia (January 2006) and in the Philippines (January 2008) through the public interest incorporated association Plan Japan. To commemorate surpassing 4 million, we funded another school in the Philippines in April 2012.



The students at the completed elementary school in Cambodia

### Support of athletics

We support the Advancement of Sports Fund to increase Japan's international competitiveness and the expansion of athletic activities. We were the first bank to offer Sports Advancement lottery toto online.

# 10th Anniversary



## Thank You!

皆さまに支持されて、10年。  
ネットバンク口座数 No.1

### Rakuten Bank Scholarships

We launched an endowment to support foreign exchange students studying in Japan. We will continually support the students for 4 years until graduation, focused on supporting self-funded exchange students. Through these scholarships, we hope to support the growth and development of people who can contribute to Japan and global society.

### Essay Contest

We held an essay contest with the theme “New financial services utilizing the internet.” The winners were announced on January 31, 2012 and an award ceremony was held at the Hearton Hotel Higashi Shinagawa on March 30, 2012.

### 10th Anniversary Classic Concert

In appreciation of our customers continued patronage, we invited 400 customers to a classical concert held at Toppan Hall on February 20, 2012, and presented a program of famous classical music from around the world- Japan, Italy, Austria, Germany, France and Spain.

# Fiscal 2011 Topics

## ● 2011 April Launch of Rakuten Bank x Rakuten Securities Money Bridge

With the launch of our account linkage service with Rakuten Securities, customers are able to seamlessly transfer funds between accounts, in addition to receiving a preferential interest rate on ordinary deposits.

## ● 2011 May Launch of our Rakuten Bank Android smart phone app

In addition to Account balance and Transaction History, it is possible for customers to make e-mail transfers (Mail Money) with our smart phone app.

## ● 2011 Jul Launch of Rakuten Bank Fast Pass home loan approval

With the launch of Rakuten Bank Fast Pass service, customers can have their home loan approval processed quickly, as fast as within 3 business days.

## ● 2011 Jul Celebration of our 10th Anniversary

To commemorate our 10th anniversary, we held an essay contest with the theme “New financial services utilizing the internet.” and launched a scholarship program to begin in fiscal 2012 to support self-funded foreign exchange students during their 4 years of study.

## ● 2011 Nov Surpassed 3,000 corporate applications for international remittance

Our corporate international remittance service has been well received due to the low remittance fee and ability to complete the full transaction online, and we have surpassed 3,000 corporate applications and exceeded JPY 15 billion (JPY equivalent) in total remittances.

## ● 2012 Jan Launch of New Combined Fixed & Floating rate Home Loan product

We began providing a new combined fixed and floating rate home loan product which allows customers to combine FLAT35 with a floating interest rate home loan.

## ● 2012 Jan Launch of Easy Account Opening Application for iPhone

Our iPhone app users can send ID verification documents through a function in the app, making the account application process easier.

## ● 2012 Mar Rakuten Bank wins The Asian Banker “Best Direct Bank” award for the second year in a row.

Rakuten Bank, Ltd. won the Asian Banker “Best Direct Bank” award for the 2nd year in a row at the International Excellence in Retail Financial Services Awards 2012 chosen from among over 160 banks across 29 countries.

“Not only has Rakuten Bank set up a profitable business model, but also managed appropriate risk management with a capital ratio of over 12%. Last year the bank continued to be innovative and launched various mobile banking and remittance initiatives, ensuring continued brand loyalty from their customers.”  
(the Asian Banker)



# Business Operations

As a financial institution that serves the public interest, we are determined to continually enhance our corporate management framework.

## ■ Corporate Governance

At Rakuten Bank, we are aware that maximizing corporate value while also serving our public responsibilities as a bank are fundamental to the concept of corporate governance. Therefore, we have established a corporate management framework which strengthens corporate governance while maintaining efficient and fair decision

making and business management systems utilizing transparent and sound management policy decision making processes, strengthened mutual supervision provisions, a clearly defined compliance framework, and clear disclosure mechanisms.

## Outline of the Corporate Governance Structure Board Structure

### 1. Overview of the Corporate Structure

Rakuten Bank has adopted a corporate auditor system.

The Board of Directors, as of the end of July 2012, consists of 10 members, including 6 external directors which have extensive business experience, capable of evaluating and auditing the business results from an objective point of view.

In addition, as of the end of July 2012, an independent Board of Corporate Auditors of 4 members, including 3 external auditors, has been set up with highly experienced specialists having extensive knowledge from the finance industry to effectively monitor and audit management.

### 2. Details of the Corporate Structure

The Board of Directors, which holds an ordinary meeting once a month as a general rule; strives to enhance the fairness and transparency of operations as the body for monitoring management, resolving statutory matters, determining basic policy, exchanging opinions from a broad perspective and building a business management system, among others.

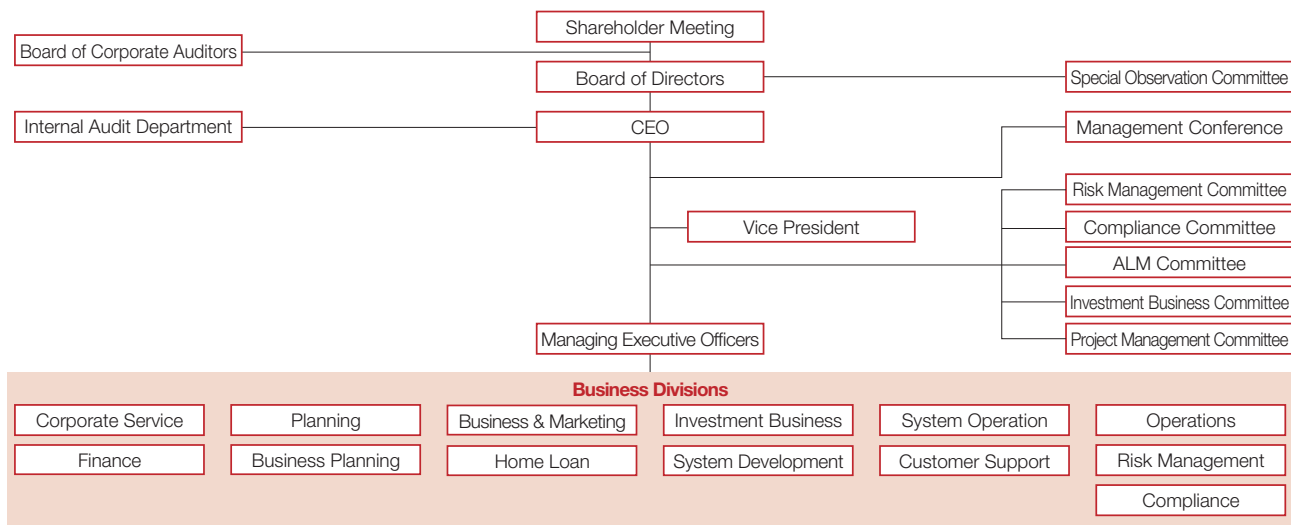
The Management Conference meets twice a month as a general rule. It serves as a consulting body for matters to be decided by the Board of Directors, in order that the Board of Directors may make a decision on the matters on the agenda or obtain the necessary information to monitor management; as well as a body to inspect the matters resolved by the Board of Directors and to perform operations based on the business management policy determined by the Board of Directors.

Additionally, the Risk Management Committee, the Compliance Committee, the ALM Committee, the Investment Business Committee and the Project Management Committee have been set up in order to conduct necessary deliberations prior to the formal decision making by Rakuten Bank.

### 3. Appropriate Role of Corporate Governance in a Wholly-owned Subsidiary of a Business Holding Company

As a wholly-owned subsidiary of a business holding company, we have taken the following measures toward achieving an appropriate role for corporate governance. As a general rule, half of the members of the Board of Directors are selected from outside of the Rakuten Group and a system is in place that effectively checks the relationship between board members and the Rakuten Group. Additionally, we have established a "Special Observation Committee" comprising directors and corporate auditors selected from outside of the Rakuten Group, which must be consulted and whose prior approval must be obtained whenever conducting transactions with the Rakuten Group in regards to their validity, thereby ensuring an appropriate governance structure as a bank.

## Corporate Governance Structure (as of July 15, 2012)



### 4. Internal Audits and Audits by Corporate Auditors

The 7 members of the Internal Audit Department, which reports directly to the CEO, are responsible for conducting internal audits. Internal audits on the divisions and subsidiaries of Rakuten Bank are conducted in accordance with the Regulation for Internal Audit and internal auditing plans, which have been approved by the Board of Directors, in order to verify the appropriateness and sufficiency of the system of internal controls over business operations in general and the risk management framework.

Promptly upon completion of the internal audit, the Internal Audit Department reports the results to the CEO, as well as the Board of Directors and Board of Corporate Auditors. Moreover, the Internal Audit Department reports on the status of activities of the Internal Audit Department and the improvement status of recommendations given in the course of the internal audits to the Board of Directors and Board of Corporate Auditors every three months. The Internal Audit Department maintains open channels of communication with the Corporate Auditors in order to share various issues relating to internal controls. The Internal Audit Department also engages in exchanges of opinions with the accounting auditors as appropriate, in order to confirm the necessary improvements in internal controls recognized by the accounting auditors.

Audits by corporate auditors are conducted by the 4 corporate auditors, including 1 standing corporate auditor. They involve the audit of the directors' execution of duties and accounting audits. In the course of conducting audits, each corporate auditor draws up an audit policy and audit plan, attends Board meetings and other important meetings, hears reports from the CEO and other members of management, communicates with the Internal Audit Department, inspects important documents and performs audits on the divisions and subsidiaries of Rakuten Bank. The Board of Corporate Auditors also receives reports on the results of accounting auditor's audits from the accounting auditors and confirms their appropriateness.

### 5. Accounting Audits

In the fiscal 2011, Rakuten Bank entered into an audit service agreement with Ernst & Young ShinNihon LLC and underwent an accounting audit. The name of the certified public accountants that provided accounting auditing services in the current fiscal year and the structure of assistants for accounting auditing services are as described below. The number of years they continuously executed the audit of Rakuten Bank is not stated, as Ernst & Young ShinNihon LLC has been auditing Rakuten Bank for less than seven years.

The name of certified public accountants who executed audit work:

Masaharu Sugiyama, Designated Limited Liability Partner, Engagement Partner

Toru Hashigami, Designated Limited Liability Partner, Engagement Partner

Kenichi Ishida, Designated Limited Liability Partner, Engagement Partner

Structure of assistants for accounting audit services: 7 certified public accountants and 11 other persons

### 6. Relationship with External Directors and External Corporate Auditors (as of July 15, 2012)

Rakuten Bank has 6 external directors and 3 external corporate auditors. Hiroshi Mikitani, External Director, is the Chairman & CEO of Rakuten, Inc., the parent company of Rakuten Bank; Ken Takayama, External Corporate Auditor, is a director of Rakuten, Inc.; and Rakuten Bank maintains operational relationships with Rakuten, Inc., including the provision of services. Masayuki Hosaka, External Director, is the Representative Director and CEO of Rakuten Card Co., Ltd., a sister company of Rakuten Bank, and Rakuten Bank maintains operational relationships with Rakuten Card Co., Ltd., including the provision of services. Osamu Sudoh, External Director, is a Partner of Sudoh & Takai Law Offices, and Rakuten Bank maintains operational relationships with Sudoh & Takai Law Offices, including the provision of services. Rakuten Bank has no other human, capital, or operational relationships or any other special interests.

# Business Operations

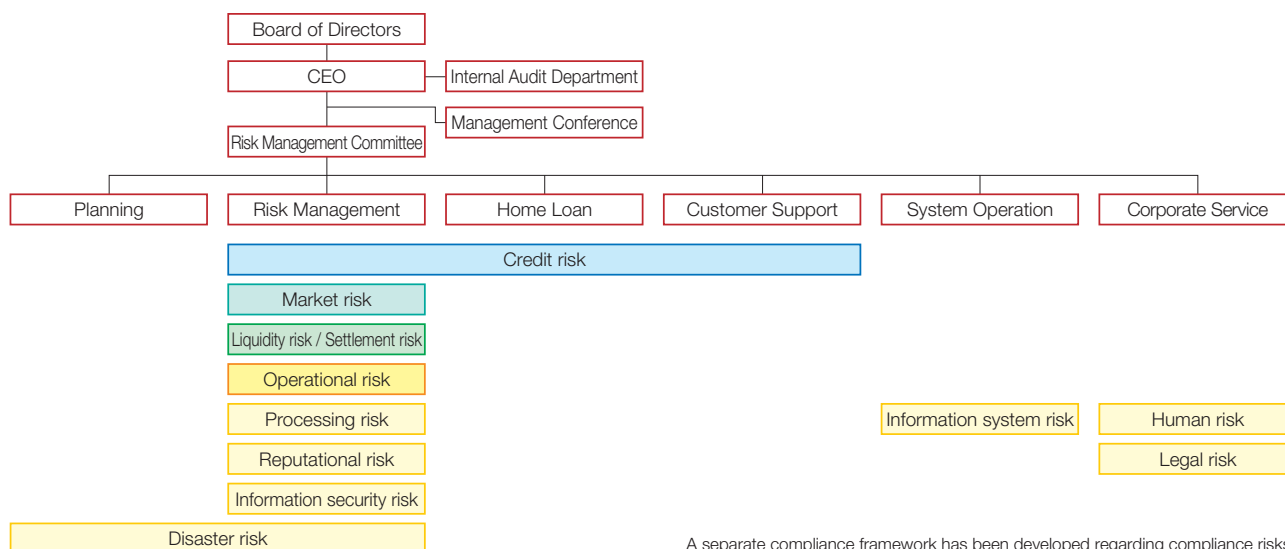
Rakuten Bank has established a strong risk management framework that addresses its status as an internet bank.

## Risk Management Framework

Rakuten Bank's Board of Directors has established our risk management policies in the Regulation for Bank-wide Risk Management, which includes specific regulations and detailed regulations for each division based on the overall policy. Business is conducted in accordance with the rules & regulations prescribed. Our overall risk management system is centrally managed by the Risk Management division, with monthly reporting to the Risk

Management Committee, Management Conference, and Board of Directors. Meanwhile, the Regulation for Crisis Management is in place for cases of business incidents and/or natural disaster which allows us to take all possible measures necessary to ensure that we can serve our public function as a bank, even in unforeseen circumstances.

### Bank-wide Risk Management Framework (as of July 15, 2012)



#### 1. Integrated Risk Management Framework

We have developed a framework for managing capital adequacy centered on a system of managing capital allocations (hereinafter collectively referred to as "capital allocation management"), for the purpose of ensuring sound management by allocating capital in each risk category and restricting risk taking levels within the amount of capital allocated.

In specific terms, capital allocable to market and credit risks, capital allocable to operational risks, and the like are defined according to the nature of the allocable capital and associated risks; and within each risk category, namely market risk, credit risk, and operational risk, the allocation of the corresponding risk capital is determined (hereinafter referred to as "capital allocation") at least once each quarter by the Board of Directors.

Additionally, as part of the monthly PDCA cycle for managing capital adequacy, we conduct monthly checks on whether the actual capital used and the estimated amount of capital to be used in the future have not exceeded allocated capital, while at the same time making sure that the capital buffer, which is defined as surplus of risk capital, exceeds the amount of stressed capital. In effect, the Board of Directors conducts quarterly checks to ensure that no material problems will occur to our capital adequacy even in the event of drastic market fluctuations and/or changes to our credit standing.

## 2. Market Risk and Credit Risk Management Framework

### (1) Market Risk Management

Rakuten Bank defines market risk as the risk of declining profits or incurring losses due to fluctuations in the value of assets held as a result of fluctuations in interest rates, foreign exchange rates and stock prices. Moreover, the sources of such assets include (i) investment assets generated through investment operations and (ii) securities and other assets held for strategic purposes including i) Japanese government bonds, municipal bonds and government-backed bonds, ii) Japan Housing Finance Agency Mortgage Backed Securities, iii) listed stocks, ETFs, iv) foreign currency and v) other marketable assets. Rakuten Bank has stipulated the method of measurement of risk capital, loss-cut rules, and monitoring methods and cycles for each of the above assets in the “Regulation for Market Risk Management” and “Detailed Regulation for Market Risk Management. The results of risk capital measurement are used in the monitoring of capital allocation, and are reported on a daily and/or monthly basis to the Risk Management Committee and the Board of Directors, etc.

### (2) Credit Risk Management

Rakuten Bank defines credit risk as the risk of decline in the value of assets or incurring losses mainly due to deterioration in an obligor's financial position. Moreover, the sources of such assets include (i) trade-receivables generated through the provision of services, (ii) investment assets generated through investment operations, (iii) receivables generated through loan operations, and (iv) securities and other assets held for strategic purposes. Rakuten Bank has stipulated the method of measurement of risk capital, decision making processes as to credit offering in relation to the value, loss-cut rules, and monitoring methods and cycles for each of the above assets in the Regulation Credit Risk Management and Detailed Regulation for Credit Risk Management. The results of risk capital measurement are used in the monitoring of capital allocation, and are reported on a daily and/or monthly basis to the Risk Management Committee and the Board of Directors, etc.

### (3) Stress Testing and Backtesting

In order to complement the limitations of the methods used to measure risk capital in terms of market risk and credit risk, we perform stress testing and backtesting every quarter, as a general rule. Stress testing is performed assuming three scenarios depending on objectives and the impact of each scenario on our capital adequacy is verified, while we verify our measurement models through backtesting. The results of these tests are reported to the Risk Management Committee and the Board of Directors, etc.

### (4) Monitoring of Assets

Particularly in terms of assets associated with credit risk, we conduct monitoring of each asset, including the financial position and the rating of the obligor. Moreover, assets associated with market risk and credit risk, whose fair value may be ascertained, are monitored to see if they infringe the warning point, defined in each of the rules; and the results of such ongoing monitoring are reported to the Risk Management Committee and other committees. We have also recently stepped up our interim monitoring of securitized instruments and their underlying assets.

## 3. Liquidity Risk Management Framework

In the Regulation for Bank-wide Risk Management and Regulation for Liquidity Risk Management, Rakuten Bank has set forth the basic policy on liquidity risk, which defines a certain percentage of total deposits as minimum liquidity, and requires cash reserves exceeding this amount be maintained for the purpose of securing funding based on the holding and utilization of assets, which are convertible into cash, that will enable continuous operations even in the event of a drastic outflow of deposits, such as in the event of a run on banks. Additionally, Rakuten Bank manages liquidity risk through the clarification of an action plan intended to ensure sufficient liquidity and control reputational risk by setting forth the Liquidity Risk Contingency Plan, whose basic policy involves a judgment of the situation and its categorization into “Normal,” “Requiring Caution,” “Cause for Concern” or “Crisis Point,” depending on the fund liquidity status (mode determination) and taking appropriate actions. The results of mode determination, which is conducted on a daily basis in the course of liquidity risk management, are reported to the Risk Management Committee and other committees.

# Business Operations

## 4. Operational Risk Management Framework

In accordance with the Regulation for Bank-wide Risk Management and the Regulation for Operational Risk Management, Rakuten Bank recognizes the reinforcement of our operational risk management framework to be one of our priority management tasks and have been developing and improving our operational risk management framework, as well as enhancing its sophistication by addressing our unique characteristics as an internet bank specializing in non-face-to-face transactions with no staffed branches. Starting from the end of March 2012, we have been implementing The Standard Approach (TSA), as the calculation method of operational risk under BIS regulations. (\*)

(\*) Previously, we had been using the simplest method, i.e. "Basic Indicator Approach (BIA)," but in FY 2012 we submitted an application to the Financial Services Agency for the adoption of The Standard Approach (TSA), and upon undergoing the Financial Services Agency's review of our administrative framework, status of securing human resources, status of measures to identify / monitor / control / mitigate risks, status of reporting framework of important information and status of internal audits, we were granted approval.

### (1) Processing Risk Management Framework

In order to address potential processing risks, Rakuten Bank, as a general rule, conducts a CSA (Control Self Assessment) every six months, with particular emphasis on identifying the location, type and impact of risks inherent in the bank's processing flow. At the same time, an evaluation of the control status of such risks is conducted and risk reduction measures are deliberated and implemented for processing flows, which are determined to be high risk. Additionally, in order to address risks that have materialized, Rakuten Bank defines events that require re-processing or responses from the entire organization, separate from normal business processes, as a result of the willful intent or inadvertent administrative error of the bank's executives, employees or subcontractors, or errors in the systems or administrative processes as incidents, and has been striving to reduce risks by building a framework to prevent the recurrences of incidents that match the degree of materialization of such risks. The status of CSA and the occurrence / causes / prevention measures of such incidents are reported to the Risk Management Committee, etc.

### (2) Information System Risk Management Framework

As Rakuten Bank depends on computer systems for the greater part of our business operations, we recognize information system risk to be one of our most fundamental risks; and accordingly have built a management framework, in addition to strictly overseeing the planning, development and operation of our company-wide systems. Moreover, in addition to duplicating networks and hardware and implementing off-site storage of customer data in preparation for disasters and failures, Rakuten Bank has established a disaster control center capable of quickly resuming operations following disasters to ensure even more reliable and safe operations. Furthermore, a detailed Contingency Plan has been set forth that places the highest priority on the preservation of customers' assets, as part of a framework that allows customers to engage in transactions with peace of mind. Rakuten Bank's overall policy on information system risk has been determined by its Board of Directors and articulated in the Regulation for Information system Risk Management. Additionally, the management status of information system risk is reported on a monthly basis to the Risk Management Committee, the Board of Directors and other committees.

### (3) Information Security Risk Management Framework

In order to address the threats to customer assets, customer information, bank assets, and bank information, Rakuten Bank implements the following measures based on the risk management frameworks for information security risk, information system risk and compliance risk, which have been set forth in the management of operational risk. The Risk Management Division is responsible for the overall management of information security risk, the Systems Division is responsible for the management of system security associated with information system risks, and the Compliance Division is responsible for dealing with financial crimes, while a mechanism has been put in place that ensures the absence of any gaps among the risk management of each division. Moreover, we have reinforced our information security by conducting checks in compliance with FISC (The Center for Financial Industry Information Systems) safety standards and other information security standards, primarily on system confidentiality, while, in terms of external threats to our web system, we implement various measures including the performance of security tests. Additionally, incident reports relating to information security risk, security status of information system and reports on the handling status of financial crimes are given by each division on a monthly basis to the Board of Directors, etc.

### (4) Management Framework of Other Operational Risks

#### (i) Reputational Risk

Rakuten Bank defines reputational risk as the risk of disruption to the bank's operations due to media reports and/or rumors stemming from false facts or actual materialization of various risk cases relating to the bank's operations and manages such risks by establishing the Regulation for Reputational Risk Management which set forth basic management policies and the response methods in the event that such risks materialize.

#### (ii) Human Risk and Legal Risk

Rakuten Bank defines human risk as the risk incurred due to cases including an increase in the number of employees going on long-term leave as a result of inequality or inequity in the bank's human resources management (including problems with remuneration, benefits, dismissal, etc.), discriminatory conduct (including sexual harassment), mental problems, and other factors, and legal risk as the risk of incurring losses (including litigation costs and attorney fees) from penalties, administrative dispositions, compensation for damages and voided contracts, and other issues as a result of legal issues or litigation, and manages such risks by establishing the Regulation for Human Risk Management and the Regulation for Legal Risk Management which set forth the basic policies on the management of such risks.

We constantly strive to enhance the soundness of management and to further society's trust and reliance in us.

### ■ Compliance Structure

Rakuten Bank understands that we have a public responsibility as a bank, and are aware of the paramount importance of sound management policy and maintaining society's trust and reliance, while conducting business operations with a high ethical standard. Therefore, we require our directors to perform their duties with the highest ethical standards, while abiding by relevant regulations and laws, in accordance with our social responsibility. Compliance activities are mainly handled through the following initiatives.

- The Board of Directors has established the Compliance Program, a concrete compliance action plan, and oversees and reviews the progress of implementation on a routine basis.

- A Compliance Committee has been established, which meets on a regular basis to review business matters from a compliance perspective and raise issues related to managing audit and/or Board of Director decisions.

- A Compliance Division has been established under the Executive Officer in charge of compliance to oversee company level compliance and personnel in charge of compliance have been appointed to each division. Together, they make up the structure to firmly establish an awareness of compliance in daily operations, conduct monitoring and share relevant information.

- Compliance and legal reviews are conducted on various business projects by the personnel in charge of compliance and/or the compliance officer, and the Legal Affairs section. The Project Management committee, the Investment Business committee and the Risk Management committee meetings are attended by the Executive Officer in charge and/or the Executive Manager of the Compliance Division to deliberate business projects.

- We are actively engaged in the prevention of money laundering, financing of terrorism and other financial crimes through the reinforcement of our systems.

- We are actively promoting initiatives to shut out anti-social forces by such means as including provisions to exclude organized crime groups in the various trading rules including Terms & Conditions for Rakuten Bank Account Services and Terms & Conditions for Super Loan Membership.

- We make efforts to educate our executives and employees in compliance matters by establishing various rules including a code of ethics, compliance regulations and compliance manuals, reviewing them on a periodic basis and as the need arises, and by conducting training sessions.

### ■ The designated dispute resolution agency in compliance with Banking Act to which Rakuten Bank belongs:

The Japanese Bankers Association (JBA)  
Contact: JBA Customer Relations Center  
Phone number: 0570-017-109 or 03-5252-3772

# Financial Data

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# Business Summary (Consolidated)

## ■Key Financial Data (consolidated)

(Unit: JPY million)

	FY2007	FY2008	FY2009	FY2010	FY2011
Ordinary Income	18,309	21,568	33,856	35,745	38,283
Ordinary Profit (Loss)	(22,535)	(34,599)	1,765	2,707	6,293
Current Net Income (Loss)	(23,403)	(34,866)	1,721	5,586	10,762
Comprehensive Income	—	—	5,242	4,911	8,881
Net Assets	16,336	20,843	26,910	36,373	45,041
Total Assets	810,156	784,975	756,931	779,882	832,375
Capital Adequacy Ratio (Japanese standard)	11.64%	12.97%	10.36%	12.18%	13.89%

(Notes) 1. Net-of-tax method of accounting used for consumption tax & local consumption tax of Rakuten Bank, Ltd. & consolidated domestic subsidiaries.

2. Consolidated Capital Adequacy Ratio is calculated according to the method set in the Financial Services Agency notification based on the stipulation in Banking Act article 14-2. We employ Japanese domestic standards.

3. Our Fiscal year is from April 1 to March 31.

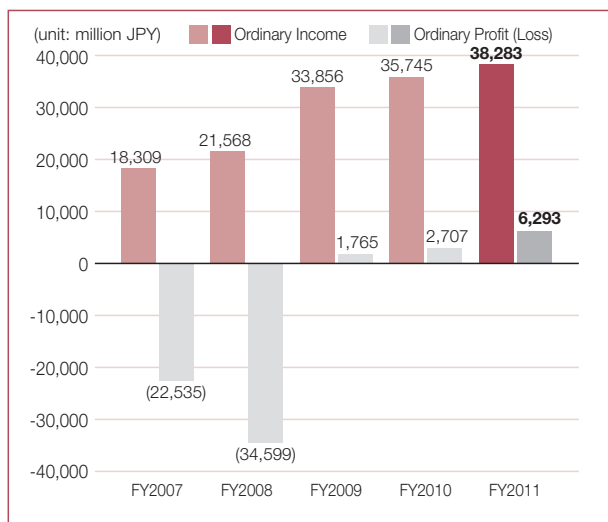
## ■Business Performance

Interest income grew due to the pro-active expansion of our guaranteed unsecured personal lending business and purchasing of RakutenCard securitized credit card receivables (self-trust beneficiary rights). Fees & commission income also increased significantly due to an increase in domestic exchange commissions and VISA debit card handling fees. Other income rose due to an increase in income related to the sale of government bonds. As a result, ordinary income for fiscal 2011 was JPY 38,283 million (year-on-year growth of 7.10%).

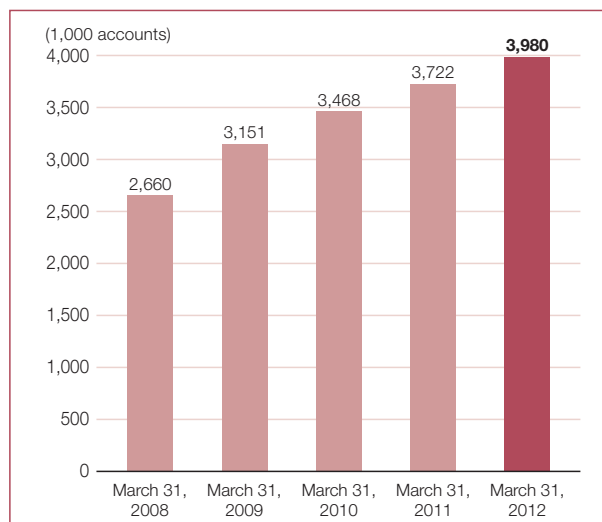
On one hand, ordinary expenses decreased due to a reduction in interest expenses related to the decrease in deposit interest rates and the redemption of subordinated bonds, but on the other hand, there was an increase in fee and commission expense in relation to an increase in guarantee charges for our guaranteed unsecured personal lending business. As a result, ordinary expenses were JPY 31,990 million (increase by +3.16%).

Accordingly, ordinary profit was JPY 6,293 million (increase by +132.44%). Extraordinary losses stemming from losses on the disposal of property & equipment were JPY 57 million (reduced by 77.86%). As a result, net income before taxes was 6,236 million (increase by 143.45%), and current net income was JPY 10,762 million (increase by 92.65%) as the adjustment to income & other taxes was greatly reduced due to deferred tax accounting.

## ●Business Results



## ●Total Accounts



(Note) Total accounts is the total consumer and business approved accounts opened on an accumulated basis (excluding closed accounts)

## ■ Financial Position

As we realized healthy growth in customer accounts and also due to the setting of inhibitive interest rates on term deposits to maintain the optimal allocation of funding, the total balance of deposits at the end of fiscal 2011 was JPY 757,945 million (increased by 6.15%), with an ordinary deposit balance of JPY 396,411 million (increased by 19.05%), term deposit balance of JPY 288,182 million (decreased by 6.40%), and foreign currency deposit balance of JPY 70,043 million (decreased by 0.22%) which was affected by the rise in the Japanese yen. Total liabilities were JPY 787,334 million (increased by 5.89%).

In regards to assets, marketable securities totaled JPY 303,879 million (decreased by 11.20%) as we modified our investment portfolio by selling government bonds and reducing short-term corporate bonds, and monetary claims bought totaled JPY 215,323 million (increased by 9.15%) as we purchases securitized credit card receivables (self-trust beneficiary rights) from RakutenCard. Money held in trust was JPY 615 million (decreased by 90.50%) due to the sale and/or redemption of trust assets. Loans and bills discounted was JPY 164,116 million (increased by 21.17%), with bridge loans for the FLAT35 business decreasing, but guaranteed unsecured personal lending steadily increasing. Cash and due from banks was JPY 80,046 million (increased by 169.13%) as we deposited excess funds with the Bank of Japan. As a result, total assets were JPY 832,375 million (increased by 6.73%).

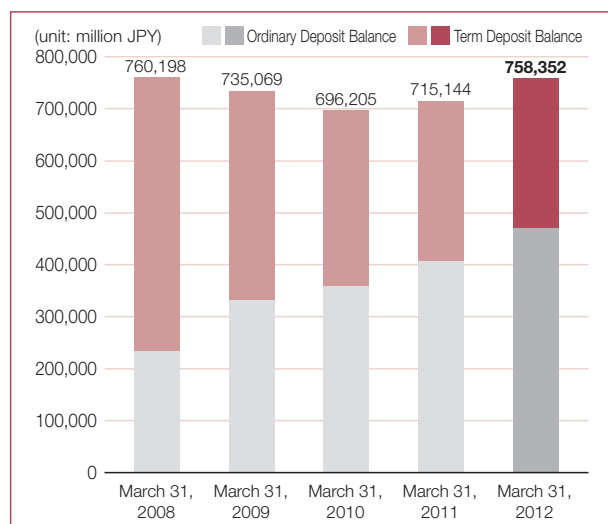
Retained earnings were JPY 13,826 million (increased by 351.15%) as current net income was added to retained earnings. As a result, total net assets were JPY 45,041 million (increased by 23.82%).

## ■ Cash Flow

In regards to cash flow from fiscal 2011, cash flow from operating activities provided net cash of JPY 12,932 million (FY2010 resulted in net outflow of JPY 25,200 million) as an increase in deposits exceeded an increase in loans and bills discounted. Cash flow from investing activities provided net cash of JPY 37,372 million (FY2010 resulted in an inflow of JPY 34,513 million) due to the redemption of marketable securities.

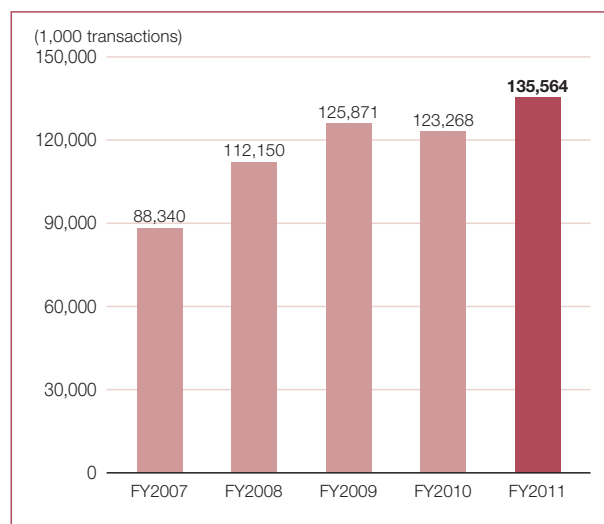
As a result, cash and cash equivalents increased by JPY 50,304 million (increase of JPY 8,864 million in FY2010), and the total balance of cash and cash equivalents for FY2011 was JPY 77,046 million.

### ● Balance of Deposits



(Notes) 1. The above deposit balances are on a non-consolidated basis.  
2. "Other deposits" & foreign currency deposits included in ordinary deposits.

### ● Transactions Volume



(Note) Transactions volume is calculated using annual external deposit transactions and account transfers.

# Consolidated Financial Statements

## Consolidated Balance Sheets

(Unit: JPY million)

	FY2010 (as of March 31, 2011)	FY2011 (as of March 31, 2012)		FY2010 (as of March 31, 2011)	FY2011 (as of March 31, 2012)
<b>(Assets)</b>			<b>(Liabilities)</b>		
Cash & Due from Banks	29,742	80,046	Deposits	713,987	757,945
Call Loans	27,000	24,000	Bonds Payable	5,000	5,000
Monetary Claims Bought	197,266	215,323	Other Liabilities	20,574	20,301
Money held in Trust	6,482	615	Reserve for Bonus	172	164
Marketable Securities	342,238	303,879	Reserve for Points	80	93
Loans & Bills Discounted	135,435	164,116	Reserve under the Special Laws	13	17
Foreign Exchange	3,507	1,776	Deferred Tax Liabilities	6	—
Other Assets	32,475	27,948	Acceptances & Guarantees	3,673	3,811
Property, Plant & Equipment	462	590	<b>Total Liabilities</b>	<b>743,509</b>	<b>787,334</b>
Building	105	143	<b>(Net Assets)</b>		
Other Property, Plant & Equipment	356	447	Common Stock	25,954	25,954
Intangible Assets	5,067	5,392	Capital Surplus	2,468	2,468
Software	3,826	5,330	Retained Earnings	3,064	13,826
Software-in-progress	1,237	58	<b>Total Shareholder Equity</b>	<b>31,487</b>	<b>42,249</b>
Other Intangible Assets	3	2	Valuation Difference on Available-for-sale Securities	4,672	2,791
Deferred Tax Assets	21	6,073	Accumulated Total of Other Comprehensive Income	4,672	2,791
Customer liabilities for Acceptances & Guarantees	3,673	3,811	Minority Interests	214	—
Allowance for Doubtful Accounts	(3,490)	(1,197)	<b>Total Net Assets</b>	<b>36,373</b>	<b>45,041</b>
<b>Total Assets</b>	<b>779,882</b>	<b>832,375</b>	<b>Total Liabilities &amp; Net Assets</b>	<b>779,882</b>	<b>832,375</b>

## Consolidated Statements of Income

(Unit: JPY million)

	FY2010 From April 1, 2010 To March 31, 2011	FY2011 From April 1, 2011 To March 31, 2012
Ordinary Income	35,745	38,283
Interest Income	18,198	19,385
Interest on Loans & Discounts	10,790	13,235
Interest and Dividends on Securities	4,105	3,346
Call Loan Interest	126	86
Interest on Due from Banks	70	75
Other Interest Received	3,105	2,639
Fees & Commissions	13,288	14,017
Other Ordinary Income	3,908	4,234
Other Income	350	646
Reversal of Allowance for Doubtful Receivables	—	161
Other Income	350	485
Ordinary Expenses	33,037	31,990
Interest Expenses	3,326	2,391
Interest on Deposits	2,847	2,304
Interest on Call Money	0	—
Interest on Borrowings and Rediscounts	51	—
Bond Interest	426	87
Other Interest Expenses	0	—
Fees & Commissions Payments	9,746	11,319
Other Ordinary Expense	3,286	2,037
General & Administrative Expenses	15,332	16,192
Other Expenses	1,345	49
Provision of Allowance for Doubtful Accounts	1,328	—
Other Expenses	16	49
Ordinary Profit	2,707	6,293
Extraordinary Income	113	—
Other	113	—
Extraordinary Losses	259	57
Loss on Disposal of Property & Equipment	27	49
Provision of Reserve for Financial Products Transaction Liabilities	8	3
Other Extraordinary Loss	224	3
Net Income before Taxes	2,561	6,236
Free Income Taxes - Current	10	9
Income Taxes - Deferred	(3,032)	(4,535)
Tax Income Tax (Benefit) Expense	(3,021)	(4,525)
Net Income before Adjustment for Minority Shareholders	5,583	10,762
Minority Interests Loss	2	—
Net Income	5,586	10,762

## ■ Consolidated Statements of Changes in Net Assets

(Unit: JPY million)

	FY2010 From April 1, 2010 To March 31, 2011	FY2011 From April 1, 2011 To March 31, 2012
Shareholders' equity		
Common Stock		
Balance as of the beginning of the period	23,485	25,954
Changes during the period		
Issuance of new shares	2,468	—
Total changes during the period	2,468	—
Balance as of the end of the period	25,954	25,954
Capital surplus		
Balance as of the beginning of the period	—	2,468
Changes during the period		
Issuance of new shares	2,468	—
Total changes during the period	2,468	—
Balance as of the end of the period	2,468	2,468
Retained earnings		
Balance as of the beginning of the period	1,983	3,064
Changes during the period		
Net income	5,586	10,762
Disposal of Treasury Stock	(4,505)	—
Total changes during the period	1,081	10,762
Balance as of the end of the period	3,064	13,826
Treasury Stock		
Balance as of the beginning of the period	(4,120)	—
Changes during the period		
Acquisition of Treasury Stock	(384)	—
Disposal of Treasury Stock	4,505	—
Total changes during the period	4,120	—
Balance as of the end of the period	—	—
Total Shareholders' equity		
Balance as of the beginning of the period	21,349	31,487
Changes during the period		
Issuance of new shares	4,936	—
Net income	5,586	10,762
Acquisition of Treasury Stock	(384)	—
Disposal of Treasury Stock	—	—
Total changes during the period	10,137	10,762
Balance as of the end of the period	31,487	42,249
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities		
Balance as of the beginning of the period	5,344	4,672
Changes during the period		
Net changes in items other than stockholders' equity	(671)	(1,880)
Total changes during the period	(671)	(1,880)
Balance as of the end of the period	4,672	2,791
Other accumulated comprehensive income		
Balance as of the beginning of the period	5,344	4,672
Changes during the period		
Net changes in items other than stockholders' equity	(671)	(1,880)
Total changes during the period	(671)	(1,880)
Balance as of the end of the period	4,672	2,791
Minority interests		
Balance as of the beginning of the period	216	214
Changes during the period		
Net changes in items other than stockholders' equity	(2)	(214)
Total changes during the period	(2)	(214)
Balance as of the end of the period	214	—
Total net assets		
Balance as of the beginning of the period	26,910	36,373
Changes during the period		
Issuance of new shares	4,936	—
Net income	5,586	10,762
Acquisition of Treasury Stock	(384)	—
Net changes in items other than stockholders' equity	(674)	(2,094)
Total changes during the period	9,463	8,667
Balance as of the end of the period	36,373	45,041

## Consolidated Cashflow Statements

(Unit: JPY million)

	FY2010 (April 1, 2010-March 31, 2011)	FY2011 (April 1, 2011-March 31, 2012)
I. Cash flows from operating activities:		
Income before income taxes and others	2,561	6,236
Depreciation	2,264	2,117
Amortization of goodwill	—	323
Increase (Decrease) in allowance for doubtful accounts	(736)	(2,292)
Increase (Decrease) in reserve for bonuses	54	(7)
Increase (Decrease) in reserve for points	(165)	12
Increase (Decrease) in reserve for contingent losses	(370)	—
Interest income recognized on statement of income	(18,198)	(19,385)
Interest expenses recognized on statement of income	3,326	2,391
Losses (gains) on securities	919	(871)
Losses (gains) on money held in trust	(260)	4
Foreign exchange losses (gains)	2,495	210
Losses (gains) on sales of fixed assets	27	49
Net decrease (increase) in loans and bills discounted	(36,158)	(28,681)
Net increase (decrease) in deposits	18,239	43,958
Net increase (decrease) in borrowed money	(1,200)	—
Net decrease (increase) in due from banks exc. cash equivalents	5,000	—
Net decrease (increase) in call loans and others	5,000	3,000
Net decrease (increase) in foreign exchange position(assets)	(2,566)	1,731
Net decrease (increase) in monetary claims bought	(10,912)	(18,056)
Interest income (cash basis)	17,601	18,820
Interest expenses (cash basis)	(3,261)	(4,466)
Others	(8,889)	7,844
Subtotal	(25,228)	12,939
Refund of income taxes	28	(6)
Net Cash Provided by (Used in) Operating Activities	(25,200)	12,932
II. Cash flows from investing activities:		
Purchase of securities	(179,375)	(276,321)
Proceeds from sales of securities	11,941	35,331
Proceeds from redemption of securities	195,014	275,712
Increase in money held in trust	(2,057)	—
Decrease in money held in trust	10,966	5,860
Purchase of tangible fixed assets	(224)	(252)
Purchase of intangible fixed assets	(1,751)	(2,420)
Purchase of additional equity in subsidiary	—	(538)
Net Cash Provided by (Used in) Investment Activities	34,513	37,372
III. Cash flows from financing activities:		
Proceeds from issuance of subordinated bonds	10,000	—
Redemption of subordinated bonds	(15,000)	—
Proceeds from issuance of common stock	4,936	—
Purchases of treasury stock	(384)	—
Net Cash Provided by (Used in) Financing Activities	(448)	—
IV. Net increase (decrease) in cash and cash equivalents	8,864	50,304
V. Cash and Cash Equivalents at Beginning of Period	17,877	26,742
VI. Cash and Cash Equivalents at End of Period	26,742	77,046

## Principles for the Preparation of Consolidated Financial Statements – FY2011

1. Scope of consolidation
  - (1) Consolidated subsidiaries : Two companies  
Company names:  
Rakuten Bank Systems, Ltd.  
eBANK Capital Management (Cayman) Ltd.  
Rakuten Mortgage Co., Ltd. completed its liquidation process in the fiscal year under review.
  - (2) Non-consolidated subsidiaries : Two companies  
Company names:  
Rakuten Bank Domain Service, Ltd.  
Sawayaka No.1 Investment Limited Partnership  
These non-consolidated subsidiaries have been excluded from the scope of consolidation, in view of their relative immateriality to the extent that such exclusion should not preclude reasonable judgment on the financial position and operating results of the Group, in consideration of assets, operating income, net income or loss (corresponding to equity interest), retained earnings (corresponding to equity interest) and deferred gains or losses on hedges (corresponding to equity interest), etc.  
Rakuten Bank Domain Service, Ltd. was established on December 13, 2011, as a wholly-owned subsidiary of Rakuten Bank Systems, Ltd., which is the Bank's wholly-owned subsidiary.
2. Application of equity method
  - (1) Non-consolidated subsidiaries accounted for under the equity method : —
  - (2) Affiliates accounted for under the equity method : —
  - (3) Non-consolidated subsidiaries not accounted for under the equity method : Two companies  
Company names:  
Rakuten Bank Domain Service, Ltd.  
Sawayaka No. 1 Investment Limited Partnership  
These non-consolidated subsidiaries not accounted for under the equity method have been excluded from using the equity method, in view of their relative immateriality to the extent that such exclusion should not have significant impact on the consolidated financial statements of the Group, based on net income or loss (corresponding to equity interest), retained earnings (corresponding to equity interest) and deferred gains or losses on hedges (corresponding to equity interest), etc.  
Rakuten Bank Domain Service, Ltd. was established on December 13, 2011, as a wholly-owned subsidiary of Rakuten Bank Systems, Ltd., which is the Bank's wholly-owned subsidiary.
  - (4) Affiliates not accounted for under the equity method : —
3. Fiscal year of consolidated subsidiaries  
The closing date of consolidated subsidiaries coincides with the consolidation closing date.

## Notes to Consolidated Financial Statements – FY2011

Amounts are rounded down to the nearest million yen.  
Definitions of subsidiaries and affiliates are based on Article 2, Paragraph 8 of the Banking Act, as well as Article 4-2 of the Order for Enforcement of the Banking Act.

1. Accounting standards
  - (1) Valuation standard and method for securities
    - (a) Valuation of securities is as follows: Held-to-maturity securities are stated at amortized cost using the moving average method (straight-line method), while shares in non-consolidated subsidiaries not accounted for under the equity method are stated at cost using the moving average method. Available-for-sale securities with market quotations are stated at fair value using the market value, etc. at the consolidation closing date (cost of sales is primarily calculated by the moving average method), while available-for-sale securities whose market values are extremely difficult to determine, are stated at cost by the moving average method.  
Valuation difference on available-for-sale securities is fully accounted for as a component of net assets.
    - (b) Marketable securities comprising trust assets in money held in trust are valued by the same method as in (1) (a) above.
  - (2) Valuation standard and method for derivative transactions  
Derivative transactions are stated at fair value.
  - (3) Depreciation methods
    - (i) Property, plant and equipment (excluding leased assets)  
Property, plant and equipment of the Bank and its consolidated subsidiaries are depreciated by the straight-line method.  
Useful lives for the property, plant and equipment are mainly as follows.  
Buildings: 8 to 50 years  
Others: 3 to 20 years
    - (ii) Intangible assets (excluding leased assets)  
Intangible assets are amortized by the straight-line method. Software for internal use is amortized by the straight-line method over its estimated useful life (mostly five years) as specified by the Bank and its consolidated subsidiaries.
  - (4) Allowance for doubtful accounts  
The Bank records allowance for doubtful accounts, subject to the following predetermined standards for write-offs and provisions.  
Claims considered normal claims or claims requiring caution as stipulated in the "Practical Guidelines for Self-assessment Valuation of Assets and Audits for Write-offs and Reserves for Allowance for Asset Losses of Banks and Similar Institutions" (Report No. 4 of Ad Hoc Committee for Audits of Banks of the Japanese Institute of Certified Public Accountants) are classified into specific classes and then an allowance is provided based on reasonable calculations of estimated loss ratios. Provisions for claims considered potentially bankrupt are made for the amount deemed necessary after subtracting the expected collectable amounts of collateral and guarantees. For claims considered bankrupt or substantially bankrupt, the amount remaining after subtracting the expected collectable amounts of collateral and guarantees is transferred to the reserve.  
Following the asset self-assessment standards, operating departments conduct an asset assessment, and the asset audit department which is independent of operations then audits the assessment results. The provisions mentioned above are then made for all claims based on these assessments.  
Regarding allowance for doubtful accounts for consolidated subsidiaries, the amount deemed necessary based on past loss ratios is provided for normal claims, while the expected uncollectable amount based on an individual

- assessment of collectability is provided for specific claims, such as claims considered potentially bankrupt, etc.
- (5) Reserve for bonus  
To provide for the payment of bonus to employees, the estimated amounts to be paid in the subsequent period based on the service provided during the fiscal year under review are recorded as reserve for bonus.
  - (6) Reserve for points  
To provide for the financial cost associated with the future use of point service, the expected use of point service in the future is estimated from the balance calculated by converting the previously issued but unused points into money, and the amount deemed necessary is provided as reserve for points.
  - (7) Reserves under the special laws  
Reserves under the special laws refer to the reserve for financial products transaction liabilities. The Bank records an amount calculated according to the provisions of Article 48-3, Paragraph 1 of the Financial Instruments and Exchange Act and Article 189 of the Cabinet Office Ordinance on Financial Instruments Business, etc. to provide for the compensation for losses incurred by accidents in relation to the market derivative transactions for which the Bank has accepted entrustment.
  - (8) Translation of foreign currency-denominated assets and liabilities  
Foreign currency-denominated assets and liabilities of the Bank and its consolidated subsidiaries are translated into Japanese yen using the exchange rate on the consolidation closing date.
  - (9) Significant hedge accounting
    - (i) Hedge accounting  
The Bank adopts deferred hedge accounting, fair value hedge accounting and exceptional treatment for interest rate swaps.
    - (ii) Hedging instruments and hedged items  
· Hedging instruments : Forward exchange contracts, bond futures, stock index futures, yen interest rate swap  
· Hedged items : Foreign currency-denominated securities, yen-denominated securities including Japanese government bond, etc., exchange-traded funds
    - (iii) Hedging policies  
Market risk and credit risk, etc. are hedged subject to the Bank's internal rules.
    - (iv) Method for evaluating effectiveness of hedging activities  
Effectiveness of the hedge is determined, by comparing the price change associated with risk of the hedged items, and the price change associated with risk of the hedging instruments, during the period from the start of the hedge to the time of assessment of its effectiveness. However, for interest rate swaps applicable to the requirements of exceptional treatments, evaluation of effectiveness of the hedge is omitted upon the judgment.
  - (10) Consumption taxes  
The tax-excluded method is used for national and local consumption taxes at the Bank and its domestic consolidated subsidiaries.

## Significant Matters in Providing the Basis for the Preparation of Consolidated Financial Statements – FY2011

### (Scope of Funds in the Consolidated Statements of Cash Flows)

Scope of funds in the consolidated statements of cash flows is "Cash and due from banks" in the consolidated balance sheet excluding time deposits.

## Changes in Accounting Policy – FY2011

The Bank and its consolidated subsidiaries were previously using the declining-balance method for depreciating property, plant and equipment (excluding leased assets) except for buildings (excluding ancillary facilities). From the fiscal year under review, the Bank has changed to the straight-line method.

As for the purpose of the change, following the change of depreciation method of property, plant and equipment to the straight-line method at the Bank's parent company, Rakuten, Inc., the Bank has reviewed its assets held. As a result, the Bank has determined that the use of the straight-line method involving equal distribution of acquisition costs of property, plant and equipment over their useful lives, can achieve better matching between costs and revenues, reflecting more appropriate presentation of management conditions of the Bank and its consolidated subsidiaries, given the fact that majority of the property, plant and equipment at the Bank and its consolidated subsidiaries are assets used constantly for a certain period of time.

As a result of this change, depreciation in the fiscal year under review decreased by JPY79 million, while operating income and net income before taxes increased by JPY79 million, respectively, compared with the corresponding figures calculated by the previous method.

## Additional Information – FY2011

"Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (hereinafter "ASBJ") Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009) have been adopted in respect of accounting changes and correction of prior period errors taking effect after the beginning of the fiscal year under review. Meanwhile, "Reversal of provision on loss for doubtful accounts" has been included in "Other operating income" for the fiscal year under review, according to "Practical Guidelines on Accounting Standards for Financial Instruments" (The Japanese Institute of Certified Public Accountants (hereinafter "JICPA") Accounting Practice Committee Statement No.14).

## Notes – FY2011

### (Notes to Consolidated Balance Sheet)

1. Shares in affiliates and the total amount of investment (excluding shares in consolidated subsidiaries): JPY132 million
2. Of the loans and bills discounted, claims considered bankrupt were JPY770 million, and there were no delinquent claims.  
Claims considered bankrupt refer to the loans for which accrued interest was not recorded with no prospect of collection or redemption of principal nor interest, in view of the fact that repayment of principal or interest has been in arrears for a considerable period of time (excluding the portion of loans written off, hereinafter "loans not recording accrued interest") and/or for other reasons, in addition to such loans generating the circumstances set out in Article 96, Paragraph 1, Item 3 (a) to (e), or Item 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97, 1965).

Additionally, delinquent claims refer to loans not recording accrued interest, excluding loans for which the Bank has extended interest payment, with the purpose to help the bankrupt claims or the borrower to reconstruct or sustain its business.

- Of the loans and bills discounted, there were no delinquent claims over three months or more.  
Delinquent claims over three months or more refer to the loans for which repayment of principal or interest is in arrears for three months or more from the following day of the due date, which are not classified as neither claims considered bankrupt nor delinquent claims.

- Of the loans and bills discounted, there were no restructured loans.  
Restructured loans refers to the loans for which additional terms have been agreed in favor of the borrower, including reduction or waiving of interest, moratorium on interest payment, moratorium on principal repayment and loan forgiveness, with the purpose to help the borrower to reconstruct or sustain its business, which are not classified as neither claims considered bankrupt, delinquent claims nor delinquent claims over three months or more.

- The total amount of claims considered bankrupt, delinquent claims, delinquent claims over three months or more, and restructured loans was JPY770 million.  
Amount of each class of claims as described in 2. to 5. above is the figure before deduction of allowance for doubtful accounts.

- The Bank has pledged JPY75,192 million of marketable securities as collateral for transactions including overdraft, foreign exchange settlement and derivative transactions. Meanwhile, other assets include JPY8,990 million of initial margins of futures transactions and JPY1,009 million of collateral.

- Commitment line contracts for loans receivable refers to contracts which promise to provide loans up to a certain limit in response to customer's request, on condition that there is no violation of any term of the contract. Outstanding balance on loans of such contracts was JPY172,224 million, of which contracts unconditionally cancellable at any time during the original contract period amount to JPY172,224 million.

As many of these contracts lapse without being exercised, the outstanding balance of unexercised loans itself will not necessarily affect the future cash flows of the Bank. These contracts contain provisions allowing the Bank to reject requests for borrowing or to reduce the limit of the contract amount, in the event of changes in the financial environment, maintenance of loans or other material circumstances. Furthermore, the Bank, according to predetermined internal procedures, regularly monitors customers' business conditions, review the contracts as necessary, and take necessary measures to protect its credit.

- Accumulated depreciation of property, plant and equipment: JPY1,949 million
- In order to ensure streamlining of fund management and back-up liquidity, the Bank has entered overdraft contracts and loan commitment contracts with its line banks.

As of the end of the fiscal year under review, unexercised balance of borrowings based on overdraft contracts and loan commitment contracts were as follows:

Total amount of overdraft limit and loan commitment	¥40,000 million
Borrowings exercised	— million
Balance	¥40,000 million

- Bonds payable are all subordinated bonds.

#### (Notes to Consolidated Income Statement)

"Other expenses" include JPY12 million of write-offs of stocks, and JPY24 million of losses on money held in trust.

#### (Notes to Consolidated Statements of Changes in Net Assets)

- Class and number of outstanding shares, as well as those of treasury shares

	(Unit: thousand shares)				
	At the beginning of the fiscal year under review	Increase during the fiscal year under review	Decrease during the fiscal year under review	At the end of the fiscal year under review	Remarks
Outstanding shares					
Common stock	2,349	—	—	2,349	
Total	2,349	—	—	2,349	

- Stock acquisition rights and own stock acquisition rights

Not applicable.

- Dividends

Not applicable.

#### (Notes to Consolidated Statements of Cash Flows)

Relationship between the year-end balance of cash and cash equivalents and the amounts presented in consolidated balance sheet

	(Unit: million JPY)
Cash and due from banks	80,046
Time deposits	(3,000)
Cash and cash equivalents	77,046

#### (Notes to Financial Instruments)

- Status of financial instruments

- Policy toward financial instruments

The Group engages primarily in deposit services, exchange services and loan services to individuals. We provide ordinary deposit services to both individual and corporate customers, and time deposit and foreign currency deposit services to individual customers. Using these financial liabilities as our main source of funds, we also provide guaranteed unsecured card loans and home loans to individual customers, purchase marketable securities and monetary claims bought, establish monetary trusts, engage in market transactions, such as call loans, and undertake derivative and foreign exchange transactions and other transactions that are incidental to sales of financial instruments to customers. We remain constantly aware of the social responsibilities and public mission of banks and exercise strict prudence to avoid investment activities such as the pursuit of excessive returns that exceed managerial and financial capacity, and we exercise particular diligence with regard to the security of deposits held on behalf of customers. We aim to optimize our asset and liability structures across our entire range of investment and funding activities, and to maintain our capital adequacy at appropriate levels by applying asset and liability management (ALM), taking into account interest sensitivity, funding liquidity, market liquidity and other factors.

Transactions in derivatives are approached with caution. It is the policy of the Group that derivatives should not be used as a speculative means of procuring income.

- Description of financial instruments and their associated risks

The financial assets held by the Group consist mainly of marketable securities, monetary claims bought, and loans and bills discounted. Marketable securities comprise mainly of government bonds, municipal bonds, corporate bonds and foreign securities, and each is exposed to the credit risk of respective issuers, interest rate fluctuation risk, market value fluctuation risk, risk of fluctuation in foreign exchange rate and liquidity risk. Monetary claims bought consist mainly of beneficial interests in trust, which are exposed to the credit risk of respective issuers and underlying assets, as well as interest rate fluctuation risk and other types of risk. Loans and bills discounted comprise mainly of guaranteed loans to individual customers, which are exposed to the credit risk of individual customers and guarantee companies. These are not exposed to the risks specifically concentrated onto certain business sectors or geographic regions.

Financial liabilities held by the Group consist mainly of deposits, including ordinary deposits from individual and corporate customers, time deposits and structured time deposits held by individual customers, and foreign currency ordinary and time deposits. Structured time deposits are exposed to interest rate fluctuation risk, which is hedged by using appropriate interest rate swap contracts. Foreign currency ordinary and time deposits are exposed to the risk of fluctuation in foreign exchange rate, which is hedged by using appropriate forward exchange contracts.

- Risk management for financial instruments

The Group has established "Regulation for Bank-wide Risk Management," setting out the fundamental matters of risk management. In the rules, risks that must be managed are specifically classified as (i) credit risk, (ii) market risk, (iii) liquidity risk, (iv) market liquidity risk, (v) settlement risk and (vi) operational risk (such as processing risk and system risk), and basic policies for managing each risk are stipulated. The Group has also established "Regulation for ALM" with the purpose of build as a sound and optimal investment and funding portfolio, in pursuit of realizing management strategies and maximizing earnings, which reflects the external economic environment, based on the prerequisite of ensuring capital adequacy.

Categories of risk that must be managed are reviewed from time to time, and new risks derived from the changing environment are added to such categories. With a view to managing these risks in a comprehensive way, the Bank has established the Risk Management Division responsible for coordination of risk management across the Group to engage in exhaustive and systematic management of each risk. In addition, the Finance Division takes responsibility for managing ALM.

Based on the recognition that market risk and credit risk are the two most important risks in the assessment of capital adequacy, the Group is committed to a risk management framework designed to accommodate risks only within the limits that can ensure an appropriate level of capital adequacy, through the process of allocating capital in each risk category and restricting the level of risk in each category within the amount of capital allocated.

- Quantitative information related to market risk

(Management of interest rate risk)

The Group's financial assets subject to the impact of interest rate risk, a major risk variable, are primarily marketable securities, monetary claims bought, and loans and bills discounted.

Financial liabilities subject to interest rate risk include ordinary deposits from individual and corporate customers, time deposits and structured time deposits held by individual customers, foreign currency ordinary and time deposits, and interest rate swaps of derivative transactions.

The Group, within a certain range of interest rate fluctuation, assesses the fair value of these financial assets and liabilities and uses their net position ("present value") for quantitative analysis in the management of interest rate fluctuation risk.

Fluctuation in the present value is calculated by separating the applicable financial assets and liabilities into a fixed interest group and a variable interest group, then allocating the balances among the corresponding accrual periods and applying the interest rate fluctuation applicable to each accrual period. For example, as of March 31, 2012, assuming that all risk variables other than interest rate risk are held constant, if all index interest rates rise by 10 basis points (0.1%), present value would decrease by JPY740 million; conversely, if all index interest rates fall by 10 basis points (0.1%), present value would increase by JPY740 million. The correlation between interest rates and other risk variables is not considered in the calculation of the effect, foreign-currency-denominated assets and liabilities are translated into Japanese yen using the exchange rates as of March 31, 2012 and the effect of negative interest rates in the case that interest rates fall by 10 basis points is not excluded from the calculation.

(Management of exchange risk)

The Group's financial assets subject to the impact of exchange risk fluctuations, a major risk variable, are foreign securities and foreign exchange.

Financial liabilities subject to foreign exchange risk are foreign currency ordinary and time deposits, currency forward agreements, and foreign currency swaps of derivative transactions. The Group, within a certain range of foreign exchange fluctuation, uses present value related to these financial assets and liabilities for quantitative analysis in the management of foreign exchange risk.

Fluctuation in the present value is calculated by separating the applicable financial assets and liabilities into currency groups, and then applying the foreign exchange rate fluctuation to each currency group. For example, as of March 31, 2012, assuming that risk variables other than foreign exchange are held constant, if the yen appreciates by 10% against all other currencies, the present value would decrease by JPY24 million. Conversely, if the yen depreciates by 10% against other currencies, the present value would increase by JPY24 million.

The correlation between exchange rates and other risk variables is not considered in the calculation of the effect, and the fluctuations in the present value denominated in foreign currency are translated into Japanese yen using the exchange rates as of March 31, 2012.

(5) Supplementary information concerning fair value of financial instruments and other matters

The fair value of financial instruments is recorded market price or a reasonably estimated price where market price is not available. The valuation is based on certain assumptions, and the values may vary if it is based on different assumptions.

## 2. Matters related to fair value of financial instruments

The carrying value, the fair value, and the variance between carrying and fair value of financial instruments as of March 31, 2012 are as follows. Unlisted shares, etc., for which it would be extremely difficult to establish fair value, are not included in the following table.

(Unit: million JPY)

	Carrying value	Fair value	Variance
(1) Cash and due from banks	80,046	80,046	—
(2) Call loans	24,000	24,000	—
(3) Monetary claims bought (*1)	215,292	215,326	34
(4) Money held in trust (*1)	614	616	2
(5) Marketable securities			
Held-to-maturity securities	21,632	22,202	570
Available-for-sale securities	282,247	282,247	—
(6) Loans and bills discounted	164,116	—	—
Allowance for doubtful accounts (*1)	(1,066)	—	—
	163,050	163,639	589
(7) Foreign exchange	1,776	1,776	—
Total assets	788,659	789,855	1,195
(1) Deposits	757,945	759,295	1,350
(2) Bonds payable	5,000	5,000	—
Total liabilities	762,945	764,295	1,350
Derivative transactions (*2)			
Those not subject to the application of hedge accounting	1,463	1,463	—
Those subject to the application of hedge accounting	—	—	—
Total derivative transactions	1,463	1,463	—

(\*1) These are the figures after deduction of general allowance for doubtful accounts and individual allowance for doubtful accounts corresponding to loans and bills discounted. Allowance for doubtful accounts corresponding to monetary claims bought and money held in trust is deducted directly from the carrying value, as it is immaterial.

(\*2) Derivative transactions recorded as other assets and other liabilities are collectively presented.

Receivables and payables resulting from derivative transactions are presented in net amount, and items of which their total amount is a liability are presented in brackets.

(Note 1) Method of calculation for fair value of financial instruments

### Assets

#### (1) Cash and due from banks

The fair value of due from banks without maturity is stated at their carrying value, as their fair value approximates the carrying amount. The fair value of due from banks with maturity on variable interest rate are also stated at their carrying value, as their fair value approximates the carrying value, as variable interest rate reflects the market rate in short periods, unless credit standing of the repository changes significantly after depositing.

Negotiable deposits are stated at the value indicated by related financial institutions.

#### (2) Call loans

The fair value of call loans are stated at their carrying value, as their fair value approximates the carrying value, as the remaining period of the call loans is a short term (within a year).

#### (3) Monetary claims bought

Of monetary claims bought, trust beneficiary rights with multiple holders and structurally divided ownership such as those involving subordination, are stated at the value indicated by related financial institutions. For other monetary claims bought, their fair value is calculated by the same method as in "(6) Loans and bills discounted."

#### (4) Money held in trust

Of money held in trust, marketable securities comprising trust assets in money held in trust, shares are stated at the price quoted on the stock exchange, while bonds are stated at either the price quoted on the stock exchange or the value indicated by related financial institutions. Claims are stated at the value indicated by related financial institutions.

Notes to money held in trust by purpose for holding are stated in "(Notes to money held in trust)."

#### (5) Marketable securities

Shares are stated at the price quoted on the stock exchange, while bonds are stated at either the price quoted on the stock exchange, or the value indicated by related financial institutions. Investment trusts are stated at the announced base value. The fair value of some industrial bonds is stated at the reasonably calculated valuation of supporting assets.

As for the fair value of floating-rate government bonds, market prices previously had been recorded in the consolidated balance sheet. As a result of reviewing the current market environment, market price could no longer be deemed to represent the fair value, and therefore, reasonably calculated value is used instead in the consolidated balance sheet at the end of the fiscal year under review. As a result, "marketable securities" have increased by JPY1,148 million, "deferred tax assets" have decreased by JPY409 million, and "valuation difference on available-for-sale securities" has increased by JPY739 million, compared with the corresponding amounts calculated by the previous method to record market prices in the consolidated balance sheet.

Reasonably calculated value of the floating-rate government bonds refers to the sum of the present value (after convexity adjustment) of each future interest payment and cash flows at redemption, as calculated based on the forward curve of the bonds, in which price-determinant variables including yield of the bonds and volatility of interest rate swaption on the underlying asset with 10 year maturity, etc.

Notes to marketable securities by purpose for holding are stated in "Notes to marketable securities."

#### (6) Loans and bills discounted

As for the fair value of loans and bills discounted, those with short remaining period (within a year) are stated at their carrying value, as their fair value approximates the carrying value.

For those classified as claims considered bankrupt, claims considered substantially bankrupt and claims considered potentially bankrupt, loan losses are calculated based on the estimated collectable amount through collateral and guarantee. Accordingly, the fair value approximates the amount calculated by subtracting the present estimated loan losses from the carrying value on the consolidation closing date; therefore, such amount is stated as fair value.

#### (7) Foreign exchange

Foreign exchange refers to foreign currency deposits at other banks (due from foreign banks). These are deposits without maturity and each fair value approximates the carrying value, thus the carrying value is stated as the fair value.

### Liabilities

#### (1) Deposits

Demand deposits are stated at the amount of payment on demand on the consolidation closing date (carrying value). The fair value of time deposits is calculated based on their present value which is calculated by discounting future cash flows divided into certain periods, using the interest rate applicable to newly accepted deposits as the discount rate. Deposits with short remaining periods (within a year) are stated at their carrying value, as their fair value approximates the carrying value.

#### (2) Bonds payable

The fair value of the bonds issued by the Bank is calculated based on their present value, which is calculated by discounting the principal and interest, using an interest rate reflecting the remaining period of the bonds and credit risk.

### Derivative transactions

Derivative transactions refers to interest rate-related transactions (interest rate swaption) and currency-related transactions (forward exchange contract), and are stated at the value calculated using various factors including the prices quoted on the stock exchange, discounted present values and option price calculation model.

(Note 2) Financial instruments whose fair value is extremely difficult to determine are as follows. These are not included in "Assets (5) Marketable securities" in information of fair value of financial instruments.

(Unit: million JPY)

Category	Consolidated balance sheet amount
(i) Unlisted shares	1
(ii) Unlisted foreign securities	73
(iii) Shares in non-consolidated subsidiaries	1
(iv) Investment in non-consolidated subsidiaries	131
Total	206

(\*1) For unlisted shares, unlisted foreign securities, shares in non-consolidated subsidiaries and investment in non-consolidated subsidiaries, fair value is not disclosed as their fair value is extremely difficult to determine in absence of quoted market prices.

(Note 3) Schedule of redemption after the consolidation closing date of monetary claims, and marketable securities with maturity

(Unit: million JPY)

	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Due from banks	80,046	—	—	—	—	—
Call loans	24,000	—	—	—	—	—
Monetary claims bought	43,922	43,959	86,452	26,124	7,573	7,291
Marketable securities						
Held-to-maturity securities	—	11,032	—	—	10,600	—
Available-for-sale securities with maturities	36,448	71,368	54,893	55,489	50,580	8,980
Loans and bills discounted (*1)	22,508	32,914	26,843	19,165	24,392	37,523
Total	206,925	159,274	168,188	100,779	93,146	53,795

(\*1) Of loans and bills discounted, JPY770 million of claims considered bankrupt, claims considered substantially bankrupt, claims considered potentially bankrupt, etc., for which scheduled redemption cannot be expected, are not included.

(Note 4) Schedule of repayment after the consolidation closing date of bonds payable and other interest-bearing liabilities

(Unit: million JPY)

	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Deposits (*1)	624,237	33,536	14,870	17,189	68,112	—
Bonds payable	—	—	—	—	5,000	—
Total	624,237	33,536	14,870	17,189	73,112	—

(\*1) Of deposits, demand deposits are included in "Within one year" category.

## (Notes to marketable securities)

This category includes "marketable securities" in the consolidated balance sheet, as well as part of the trust beneficiary rights in "monetary claims bought."

### 1. Trading securities (as of March 31, 2012)

Not applicable.

### 2. Held-to-maturity securities (as of March 31, 2012)

(Unit: million JPY)

	Category	Carrying Value	Fair value	Variance
Those with fair value in excess of carrying value	Government bonds	—	—	—
	Municipal bonds	7,032	7,129	97
	Short-term corporate bonds	—	—	—
	Corporate bonds	—	—	—
	Others	12,200	12,678	478
	Sub-total	19,232	19,808	576
Those with fair value not exceeding carrying value	Government bonds	—	—	—
	Municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	—	—	—
	Others	2,400	2,393	(6)
	Sub-total	2,400	2,393	(6)
	Total	21,632	22,202	570

### 3. Available-for-sale securities (as of March 31, 2012)

(Unit: million JPY)

	Category	Carrying Value	Fair value	Variance
Those with carrying value in excess of acquisition costs	Shares	—	—	—
	Bonds	146,764	143,031	3,733
	Government bonds	116,087	112,409	3,677
	Municipal bonds	—	—	—
	Short-term corporate bonds	14,495	14,494	1
	Corporate bonds	16,181	16,126	54
	Others	173,637	171,888	1,748
	Sub-total	320,401	314,919	5,482
Those with carrying value not exceeding acquisition costs	Shares	—	—	—
	Bonds	17,166	17,268	(102)
	Government bonds	4,898	4,898	(0)
	Municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	12,268	12,369	(101)
	Others	142,372	143,503	(1,131)
	Sub-total	159,538	160,771	(1,233)
	Total	479,940	475,691	4,248

### 4. Available-for-sale securities sold during the fiscal year under review (from April 1, 2011 to March 31, 2012)

(Unit: million JPY)

	Proceeds from sales	Total gains on sales	Total losses on sales
Shares	—	—	—
Bonds	33,225	1,046	—
Government bonds	32,029	837	—
Municipal bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	1,195	209	—
Others	8,560	245	323
Total	41,785	1,292	323

### 5. Marketable securities with recognized impairment loss

Of the marketable securities with fair value (excluding trading securities), those with fair value significantly reduced compared to their acquisition costs and with no prospect of recovery of the fair value up to the acquisition costs, are recorded in the consolidated balance sheet using the fair value, and valuation difference is recorded as a loss for the fiscal year under review (hereinafter "impairment loss").

Impairment loss was JPY1,700 million for the fiscal year under review. Marketable securities with fair value that declined by more than 50% compared to their acquisition costs are deemed to have declined significantly with no prospect of recovery and an impairment loss is recognized, unless there is reasonable evidence to prove otherwise. Furthermore, even cases where such decline in fair value is less than 50% but larger than 30%, are subjected to assessment of recoverability of fair value, and an impairment loss is recognized if necessary.

## (Notes to money held in trust)

### 1. Money held in trust for investment (as of March 31, 2012)

(Unit: million JPY)

	Carrying Value	Valuation difference included in profit or loss for the fiscal year under review
Money held in trust for investment	615	—

### 2. Money held in trust to maturity (as of March 31, 2012)

Not applicable.

### 3. Other money held in trust (other than those held for investment or to maturity) (as of March 31, 2012)

Not applicable.

## (Notes to derivative transactions)

Please see page 54 for the current status of the derivative transactions conducted by the Bank.

## (Notes to tax effect accounting)

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No.114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117, 2011) on December 2, 2011, the corporate income tax rate will be lowered and a special restoration corporation tax will be imposed from the fiscal years beginning on or after April 1, 2012. In conjunction with these changes, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities will change for the temporary differences expected to be reversed from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, and for the temporary differences expected to be reversed from the fiscal year beginning on or after April 1, 2015, from the former 40.69% to 38.01% and 35.64%, respectively. As a result of this change, deferred tax assets have decreased by JPY716 million, valuation difference on available-for-sale securities has decreased by JPY214 million, and income taxes-deferred has increased by JPY502 million. In addition, due to the application of the loss-carryover system from the fiscal year beginning on or after April 1, 2012, loss-carryover is limited to 80% of the income before the loss-carryover, and deferred tax assets decreased by JPY1,357 million and income taxes-deferred increased by JPY1,357 million.

## (Per share information)

Net assets per share	¥19,170.60
Net income per share	¥ 4,580.59

## (Significant subsequent events)

Not applicable.

## ■ Segment Information

### •FY2010 (from April 1, 2010 to March 31, 2011)

#### (Segment information)

Segment information about other businesses than the banking business conducted by the Group is omitted, as such businesses are quantitatively immaterial, leaving the banking segment as the only reportable segment.

(Additional information)

“Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17, issued on March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No.20, issued on March 21, 2008) have been adopted from the fiscal year under review.

### •FY2011 (from April 1, 2011 to March 31, 2012)

#### (Segment information)

Segment information about other businesses than the banking business conducted by the Group is omitted, as such businesses are quantitatively immaterial, leaving the banking segment as the only reportable segment.

## ■ Related Party Transactions

### (1) Parent company and major corporate shareholders

(Unit: million JPY)

Type	Name of company, etc.	Percentage of voting rights held	Relationship	Description of transactions	Transaction amount	Category	Outstanding amount at the end of the fiscal year
Parent company	Rakuten, Inc.	Directly held 100.0%	Concurrent positions as officers	Guarantee of debts	*2 137	Acceptances and guarantees	*1 347
			Secondment of employees	Issuance of corporate bonds	*2 —	Bonds payable	*3 5,000

(Notes) (\*1) The Bank guarantees the outstanding amount of electronic money.

(\*2) Transaction amounts for issuance of corporate bonds and guarantee of debts are presented in net amounts.

(\*3) Interest rate of corporate bonds is determined in reference to the market rate.

### (2) Subsidiaries and affiliates

There are no significant transactions to be disclosed regarding subsidiaries and affiliates.

### (3) Fellow subsidiaries

(Unit: million JPY)

Type	Name of company, etc.	Percentage of voting rights held	Relationship	Description of transactions	Transaction amount	Category	Outstanding amount at the end of the fiscal year
Subsidiary of the parent	Rakuten Securities, Inc.	—	Outsourcing, etc.	Fund loan transactions	*2 (3,000)	Call loans	*1 9,000
Subsidiary of the parent	RakutenCard Co., Ltd.	—	Guarantee of debts, outsourcing, collection agency business, etc.	Subscription of electronic commercial paper	*2 5,998	Short-term corporate bonds	*1 5,998
				Subscription of beneficiary rights	*2 48,396	Monetary claims bought	*1 114,285
				Guarantee of personal loan claims	148,571	—	—
				Payment of guarantee fees	*3 6,405	—	—
				Receipt of subrogated redemption	4,069	—	—
Subsidiary of the parent	bitWallet, Inc.	—	Guarantee of debts	Guarantee of debts	*2 —	Acceptances and guarantees	*1 3,463

(Notes) (\*1) Transaction terms with the fellow subsidiaries are the same as those with non-related parties.

(\*2) Transactions amounts of fund loan transactions, subscription of electronic commercial paper, subscription of beneficiary rights and guarantee of debts are presented in net amounts.

(\*3) Guarantee fees are determined based on the consultation with RakutenCard Co., Ltd. with reference to the rates of guarantee fees generally employed.

## (Risk Management Loans, Asset Assessment)

### ■ Risk Management Loans under the Banking Law

(Unit: JPY million)

	FY2010	FY2011
Bankrupt Loans	770	770
Delinquent Loans	—	—
Delinquent Loans over 3 months due	—	—
Restructured Loans	—	—
Total	770	770

### ■ Loans disclosed under the Financial Revitalization Law

(Unit: JPY million)

	FY2010	FY2011
Claims in bankruptcy & reorganization, and similar claims	879	862
Doubtful Claims	—	32
Substandard Claims	—	—
Normal Claims	142,541	169,798
Total	143,420	170,693

(Note) The above is based on Act on Emergency Measures for the Revitalization of the Financial Functions

# Business Summary (Non-Consolidated)

## Key Financial Data

(Unit: JPY million)

	FY2007	FY2008	FY2009	FY2010	FY2011	
Ordinary Income	18,120	21,465	33,655	34,961	38,242	
Ordinary Profit (Loss)	(22,580)	(34,521)	1,816	2,357	6,623	
Current Net Income (Loss)	(23,591)	(34,940)	1,748	5,293	11,372	
Common Stock	38,414	54,997	23,485	25,954	25,954	
Total Shares Issued	Common Stock	663 thousand shares	1,769 thousand shares	2,349 thousand shares	2,349 thousand shares	2,349 thousand shares
Net Assets	15,623	20,243	26,457	35,630	45,122	
Total Assets	810,738	785,212	756,095	780,460	832,982	
Deposit Balance	760,198	735,069	696,205	715,144	758,352	
Loan Balance	—	94,700	100,908	135,435	164,116	
Marketable Securities Balance	669,217	525,148	374,503	342,557	304,635	
Non-Consolidated Capital Adequacy Ratio (Japanese standard)	10.91%	12.33%	9.87%	11.15%	13.89%	
Dividend Ratio	—	—	—	—	—	
Employees (end of period)	195	199	261	275	292	

(Notes) 1. Net-of-tax method is used in accounting for consumption tax and local consumption tax.

2. Loan balance is attributed to purchases of loan claims.

3. Consolidated Capital Adequacy Ratio is calculated according to the method set in the 2006 Financial Services Agency notification 19 based on the stipulation in Banking Act article 14-2. We employ Japanese domestic standards.

4. Number of employees does not include part-time and/or temporary employees. From 2009, the number of employees does not include Rakuten Bank employees dispatched to other companies, but does include employees from other companies dispatched to Rakuten Bank.

## Business Performance

Ordinary income was JPY 38,242 million (year-on-year increase of 9.38%) due to the reasons stated on page 25 to 26. Meanwhile, ordinary expenses were JPY 31,619 million (decreased by 3.02%) for the reasons stated on page 25 to 26, and ordinary profit was JPY 6,623 million (increased by 180.96%). Extraordinary loss was JPY 51 million (decreased by 73.54%) due to the loss on disposal of property and equipment.

As a result, net income before taxes was JPY 6,849 million (increased by 201.15%), and current net income was JPY 11,372 million (increased by 114.85%) as the adjustment to income & other taxes was greatly reduced due to deferred tax accounting.

## Financial Position

The total balance of deposits at the end of fiscal 2011 was JPY 758,352 million (year-on-year increase of 6.04%), and total liabilities were JPY 787,859 million (increased by 5.77%).

In regards to assets, marketable securities totaled JPY 304,635 million (decreased by 11.07%), monetary claims bought totaled JPY 215,323 million (increased by 9.15%), money held in trust totaled JPY 615 million (decreased by 90.50%), loans and bills discounted totaled JPY 164,116 million (increased by 21.17%), and cash and due from banks totaled JPY 79,766 million (increased by 169.96%) due to the reasons stated on page 26. As a result, total assets were JPY 832,982 million (increased by 6.72%).

In addition, in regards to net assets, retained earnings totaled JPY 13,908 million (increased by 448.44%). As a result, total net assets were JPY 45,122 million (increased by 26.63%).

# Non-Consolidated Financial Statements

## Balance Sheets

(Unit: JPY million)

	FY2010 (as of March 31, 2011)	FY2011 (as of March 31, 2012)		FY2010 (as of March 31, 2011)	FY2011 (as of March 31, 2012)
<b>(Assets)</b>			<b>(Liabilities)</b>		
Cash & Due from Banks	29,546	79,766	Deposits	715,144	758,352
Cash	0	0	Ordinary Deposits	334,119	396,817
Due from Banks	29,546	79,766	Term Deposits	307,915	288,182
Call Loans	27,000	24,000	Other Deposits	73,110	73,352
Monetary Claims Bought	197,266	215,323	Bonds payable	5,000	5,000
Money held in Trust	6,482	615	Other Liabilities	20,753	20,436
Marketable Securities	342,557	304,635	Domestic Exchanges Settlement Account, Credit	2,851	3,491
Government Bonds	150,964	120,985	Income Taxes Payable	62	45
Municipal Bonds	7,029	7,032	Accrued Expenses	6,454	4,895
Short-term Bonds	4,999	14,495	Unearned Income	372	214
Corporate Bonds	26,277	28,449	Valuation Margins of Future Transactions	8,403	8,997
Stocks	270	707	Derivatives Other Than for Trading	1,742	1,215
Other Securities	153,016	132,964	Other Liabilities	867	1,577
Loans & Bills Discounted	135,435	164,116	Reserve for Bonus	156	147
Loans on deeds	17,616	15,406	Reserve for Points	80	93
Overdrafts	117,818	148,710	Reserve under the Special Laws	13	17
Foreign Exchange	3,507	1,776	Reserve for Financial Products Transaction Liabilities	13	17
Due from Foreign Banks (our accounts)	3,507	1,776	Acceptances and Guarantees	3,673	3,811
Other Assets	32,456	27,904	Deferred Tax Liabilities	6	—
Domestic Exchange Settlement Accounts, debit	2,374	3,252	<b>Total Liabilities</b>	<b>744,829</b>	<b>787,859</b>
Prepaid Expenses	134	119	<b>(Net Assets)</b>		
Accrued Income	1,825	2,004	Common Stock	25,954	25,954
Initial Margins of Futures Transactions	8,393	8,990	Capital Surplus	2,468	2,468
Derivatives other than for Trading	4,851	4,144	Capital Surplus Reserve	2,468	2,468
Other Assets	14,877	9,393	Retained Earnings	2,536	13,908
Property, Plant & Equipment	416	540	Voluntary Reserves	2,536	13,908
Buildings	79	115	Retained earnings brought forward	2,536	13,908
Other Property, Plant & Equipment	336	425	Total Shareholder Equity	30,958	42,330
Intangible assets	5,607	5,641	Valuation Difference on Available-for-sale Securities	4,672	2,791
Software	3,991	5,547	Total Valuation and Translation Adjustments	4,672	2,791
Software-in-progress	1,303	91	<b>Total Net Assets</b>	<b>35,630</b>	<b>45,122</b>
Goodwill	308	—	<b>Total Liabilities &amp; Net Assets</b>	<b>780,460</b>	<b>832,982</b>
Other intangible assets	3	2			
Deferred Tax Assets	—	6,048			
Customer liabilities for Acceptances & Guarantees	3,673	3,811			
Allowance for Doubtful Accounts	(3,490)	(1,197)			
<b>Total Assets</b>	<b>780,460</b>	<b>832,982</b>			

## Statements of Income

(Unit: JPY million)

	FY2010 From April 1, 2010 To March 31, 2011	FY2011 From April 1, 2011 To March 31, 2012
Ordinary Income	34,961	38,242
Interest Income	18,100	19,385
Interest on Loans & Discounts	10,700	13,235
Interest and Dividends on Securities	4,105	3,346
Call Loan Interest	126	86
Interest on Due from Banks	70	75
Other Interest Received	3,097	2,639
Fees & Commissions	12,652	14,010
Commission received on Exchange Transactions	3,063	3,296
Other Fees & Commissions Income	9,588	10,713
Other Ordinary Income	3,908	4,234
Gain on Foreign Exchange Transactions	1,385	1,454
Gain on Sale of Government and Other bonds	227	1,063
Gain on Redemption of Government and Other bonds	199	135
Income from Derivatives Other than for Trading or Hedging	1,340	1,353
Other Ordinary Income	755	228
Other Income	300	613
Gain on Sales of Stock & Other Securities	8	—
Gain on Investment in Money held in Trust	260	20
Reversal of Allowance for Doubtful Receivables	—	161
Other Income	31	431
Ordinary Expenses	32,604	31,619
Interest Expenses	3,275	2,391
Interest on Deposits	2,848	2,304
Interest on Call Money	0	—
Interest on Borrowings and Rediscounts	0	—
Bond Interest	426	87
Other Interest Expenses	0	—
Fees & Commissions Expense	9,698	11,319
Fees & Commissions on Domestic and Foreign Exchanges	1,541	1,610
Other Fees & Commissions Expense	8,156	9,708
Other Ordinary Expense	3,286	2,037
Loss on sale of government and other bonds	300	24
Loss on Redemption of Government and other bonds	—	1
Loss on Write-down of Government and other bonds	1,049	287
Other Ordinary Expenses	1,936	1,723
General & Administrative Expenses	15,008	15,821
Other Expenses	1,335	49
Provision of Allowance for Doubtful Accounts	1,318	—
Loss on Devaluation of Stocks & Other Securities	4	12
Loss on Money held in Trust	—	24
Other Expenses	11	12
Ordinary Profit	2,357	6,623
Extraordinary Profit	113	278
Other Extraordinary Profit	113	278
Extraordinary Losses	196	51
Loss on Disposal of Property & Equipment	—	48
Provision of Reserve for Financial Products Transaction Liabilities	8	3
Other Extraordinary Loss	187	—
Net Income before Taxes	2,274	6,849
Income Taxes - Current	9	9
Income Taxes - Deferred	(3,028)	(4,532)
Income Tax (Benefit) Expense	(3,018)	(4,522)
Net Income	5,293	11,372

## Statements of Changes in Net Assets

(Unit: JPY million)

	FY2010 From April 1, 2010 To March 31, 2011	FY2011 From April 1, 2011 To March 31, 2012
Shareholders' equity		
Common stock		
Balance as of the beginning of the period	23,485	25,954
Changes during the period		
Issuance of new shares	2,468	—
Total changes during the period	2,468	—
Balance as of the end of the period	25,954	25,954
Capital surplus		
Legal capital surplus		
Balance as of the beginning of the period	—	2,468
Changes during the period		
Issuance of new shares	2,468	—
Changes during the period	2,468	—
Balance as of the end of the period	2,468	2,468
Total capital surplus		
Balance as of the beginning of the period	—	2,468
Changes during the period		
Issuance of new shares	2,468	—
Total changes during the period	2,468	—
Balance as of the end of the period	2,468	2,468
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance as of the beginning of the period	1,748	2,536
Changes during the period		
Net income	5,293	11,372
Disposal of Treasury Stock	(4,505)	—
Total changes during the period	787	11,372
Balance as of the end of the period	2,536	13,908
Total retained earnings		
Balance as of the beginning of the period	1,748	2,536
Changes during the period		
Net income	5,293	11,372
Disposal of Treasury Stock	(4,505)	—
Total changes during the period	787	11,372
Balance as of the end of the period	2,536	13,908
Treasury Stock		
Balance as of the beginning of the period	(4,120)	—
Changes during the period		
Acquisition of Treasury Stock	(384)	—
Disposal of Treasury Stock	4,505	—
Total changes during the period	4,120	—
Balance as of the end of the period	—	—
Shareholders' equity		
Balance as of the beginning of the period	21,113	30,958
Changes during the period		
Issuance of new shares	4,936	—
Net income	5,293	11,372
Acquisition of Treasury Stock	(384)	—
Disposal of Treasury Stock	—	—
Total changes during the period	9,844	11,372
Balance as of the end of the period	30,958	42,330
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance as of the beginning of the period	5,344	4,672
Changes during the period		
Net changes in items other than stockholders' equity	(671)	(1,880)
Total changes during the period	(671)	(1,880)
Balance as of the end of the period	4,672	2,791
Deferred gains or losses on hedges		
Balance as of the beginning of the period	5,344	4,672
Changes during the period		
Net changes in items other than stockholders' equity	(671)	(1,880)
Total changes during the period	(671)	(1,880)
Balance as of the end of the period	4,672	2,791
Total net assets		
Balance as of the beginning of the period	26,457	35,630
Changes during the period		
Issuance of new shares	4,936	—
Net income	5,293	11,372
Acquisition of Treasury Stock	(384)	—
Net changes in items other than stockholders' equity	(671)	(1,880)
Total changes during the period	9,172	9,491
Balance as of the end of the period	35,630	45,122

## Notes to Non-Consolidated Financial Statements – FY2011

Amounts are rounded down to the nearest million yen.

### Significant accounting policies – FY2011

1. Valuation standard and method for securities
  - (1) Valuation of securities is as follows: Held-to-maturity securities are stated at amortized cost using the moving average method (straight-line method), while shares in subsidiaries are stated at cost using the moving average method. Available-for-sale securities with market quotations are stated at fair value using the market value, etc. at the consolidation closing date (cost of sales is primarily calculated by the moving average method), while available-for-sale securities whose market values are extremely difficult to determine, are stated at cost by the moving average method. Valuation difference on available-for-sale securities is fully accounted for as a component of net assets.
  - (2) Marketable securities comprising trust assets in money held in trust are valued by the same method as in 1. (1) above.
2. Valuation standard and method for derivative transactions  
Derivative transactions are stated at fair value.
3. Depreciation methods
  - (i) Property, plant and equipment (excluding leased assets)  
Property, plant and equipment are depreciated by the straight-line method. Useful lives for the property, plant and equipment are mainly as follows.  
Buildings: 8 to 50 years  
Others: 3 to 20 years
  - (ii) Intangible assets (excluding leased assets)  
Intangible assets are amortized by the straight-line method. Software for internal use is amortized by the straight-line method over its estimated useful life (mostly five years) as specified by the Bank.
4. Translation of foreign currency-denominated assets and liabilities  
Foreign currency-denominated assets and liabilities are translated into Japanese yen using the exchange rate on the consolidation closing date.
5. Accounting standards for allowances
  - (1) Allowance for doubtful accounts  
The Bank records allowance for doubtful accounts, subject to the following predetermined standards for write-offs and provisions.  
Claims considered normal claims or claims requiring caution as stipulated in the "Practical Guidelines for Self-assessment Valuation of Assets and Audits for Write-offs and Reserves for Allowance for Asset Losses of Banks and Similar Institutions" (Report No.4 of Ad Hoc Committee for Audits of Banks of the Japanese Institute of Certified Public Accountants) are classified into specific classes and then an allowance is provided based on reasonable calculations of estimated loss ratios. Provisions for claims considered potentially bankrupt are made for the amount deemed necessary after subtracting the expected collectable amounts of collateral and guarantees. For claims considered bankrupt or substantially bankrupt, the amount remaining after subtracting the expected collectable amounts of collateral and guarantees is transferred to the reserve.  
Following the asset self-assessment standards, operating departments conduct an asset assessment, and the asset audit department which is independent of operations then audits the assessment results. The provisions mentioned above are then made for all claims based on these assessments.
  - (2) Reserve for bonus  
To provide for the payment of bonus to employees, the estimated amounts to be paid in the subsequent period based on the service provided during the fiscal year under review are recorded as reserve for bonus.
  - (3) Reserve for points  
To provide for the financial cost associated with the future use of point service, the expected use of point service in the future is estimated from the balance calculated by converting the previously issued but unused points into money, and the amount deemed necessary is provided as reserve for points.
  - (4) Reserve for financial products transaction liabilities  
The reserve for financial products transaction liabilities is an amount calculated according to the provisions of Article 48-3, Paragraph 1 of the Financial Instruments and Exchange Act and Article 189 of the Cabinet Office Ordinance on Financial Instruments Business, etc. to provide for the compensation for losses incurred by accidents in relation to the market derivative transactions for which the Bank has accepted entrustment.
6. Hedge accounting
  - (1) Hedge accounting  
The Bank adopts deferred hedge accounting, fair value hedge accounting and exceptional treatments for interest rate swaps.
  - (2) Hedging instruments and hedged items
    - Hedging instruments: Forward exchange contracts, bond futures, stock index futures, yen interest rate swap
    - Hedged items: Foreign currency-denominated securities, yen-denominated securities including Japanese government bond, etc., exchange-traded funds

- (3) Hedging policies  
Market risk and credit risk, etc. are hedged subject to the Bank's internal rules.
  - (4) Method for evaluating effectiveness of hedging activities  
Effectiveness of the hedge is determined, by comparing the price change associated with risk of the hedged items, and the price change associated with risk of the hedging instruments, during the period from the start of the hedge to the time of assessment of its effectiveness. However, for interest rate swaps applicable to the requirements of exceptional treatments, evaluation of effectiveness of the hedge is omitted upon the judgment.
7. Consumption taxes  
The tax-excluded method is used for national and local consumption taxes (hereinafter, "consumption taxes"). However, non-deductible consumption taxes related to property and equipment are included in expenses for the fiscal year under review.

### Changes in Accounting Policy – FY2011

Change in depreciation method for property, plant and equipment (excluding leased assets)

The Bank was previously using the declining-balance method for depreciating property, plant and equipment (excluding leased assets) except for buildings (excluding ancillary facilities), however from the fiscal year under review, the Bank has changed its to the straight-line method.

As for the purpose of the change, following the change of depreciation method of property, plant and equipment to the straight-line method at the Bank's parent company, Rakuten, Inc., the Bank has reviewed its assets held. As a result, the Bank has determined that the use of the straight-line method involving equal distribution of acquisition costs of property, plant and equipment over their useful lives can achieve better matching between costs and revenues, reflecting more appropriate presentation of management conditions of the Bank, given the fact that majority of the property, plant and equipment at the Bank are assets used constantly for a certain period of time.

As a result of this change, depreciation in the fiscal year under review decreased by JPY 73 million, while operating income and net income before taxes increased by JPY 73 million, respectively, compared with the corresponding figures calculated by the previous method.

### Additional Information – FY2011

"Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (hereinafter "ASBJ") Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 issued on December 4, 2009) have been adopted in respect of accounting changes and correction of prior period errors taking effect after the beginning of the fiscal year under review.

Meanwhile, "Reversal of provision on loss for doubtful accounts" has been included in "Other operating income" for the fiscal year under review, according to "Practical Guidelines on Accounting Standards for Financial Instruments" (The Japanese Institute of Certified Public Accountants (hereinafter "JICPA") Accounting Practice Committee Statement No.14).

### Notes – FY2011

(Notes to Balance Sheet)

1. Shares in affiliates and the total amount of investment: JPY 888 million
2. Of the loans and bills discounted, claims considered bankrupt were JPY 770 million, and there were no delinquent claims.  
Claims considered bankrupt refer to the loans for which accrued interest was not recorded given no prospect of collection or redemption of principal nor interest, in view of the repayment of principal or interest in arrears for a considerable period of time (excluding the portion of loans written off, hereinafter "loans not recording accrued interest") and for other reasons, in addition to such loans generating the circumstances set out in Article 96, Paragraph 1, Item 3 (a) to (e), or Item 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97, 1965).  
Additionally, delinquent claims refer to loans not recording accrued interest, excluding loans for which the Bank has extended interest payment, with the purpose to help the bankrupt claims or the borrower to reconstruct or sustain its business.
3. Of the loans and bills discounted, there were no delinquent claims over three months or more.  
Delinquent claims over three months or more refer to the loans for which repayment of principal or interest is in arrears for three months or more from the following day of the due date, which are not classified as neither claims considered bankrupt nor delinquent claims.
4. Of the loans and bills discounted, there were no restructured loans.  
Restructured loans refers to the loans for which additional terms have been agreed in favor of the borrower, including reduction or waiving of interest, moratorium on interest payment, moratorium on principal repayment, and loan forgiveness, with the purpose to help the borrower to reconstruct or sustain its business, which are not classified as neither claims considered bankrupt, delinquent claims nor delinquent claims over three months or more.

5. The total amount of claims considered bankrupt, delinquent claims, delinquent claims over three months or more, and restructured loans was JPY 770 million. Amount of each class of claims as described in 2. to 5. above is the figure before deduction of allowance for doubtful accounts.

6. The Bank has pledged JPY 75,192 million of marketable securities as collateral for transactions including overdraft, foreign exchange settlement and derivative transactions. Meanwhile, other assets include JPY 8,990 million of initial margins of futures transactions and JPY 1,009 million of collateral.

7. Commitment line contracts for loans receivable refers to contracts which promise to provide loans up to certain limit in response to customer's request, on condition that there is no violation of any term of the contract. Outstanding balance of loans of such contracts was ¥172,224 million, of which contracts unconditionally cancellable at any time during the original contract period amount to ¥172,224 million.

As many of these contracts lapse without being exercised, the outstanding balance of unexercised loans itself will not necessarily affect the future cash flows of the Bank. These contracts contain provisions allowing the Bank to reject request for borrowing or to reduce the limit of the contract amount, in the event of changes in the financial environment, maintenance of loans or other material circumstances. Furthermore, the Bank, according to predetermined internal procedures, regularly monitors customers' business conditions, review the contracts as necessary, and take necessary measures to protect its credit.

8. Accumulated depreciation of property, plant and equipment: ¥1,865 million

9. In order to ensure streamlining of fund management and back-up liquidity, the Bank has entered overdraft contracts and loan commitment contracts with its line banks.

As of the end of the fiscal year under review, unexercised balance of borrowings based on overdraft contracts and loan commitment contracts were as follows:

Total amount of overdraft limit and loan commitment	¥40,000 million
Borrowings exercised	— million
Balance	¥40,000 million

10. Bonds payable are all subordinated bonds.

11. There are no monetary claim amount ascertained to the directors and/or company auditors related to transactions between directors or company auditors.

12. There are no monetary obligation amount ascertained to the directors and/or company auditors related to transactions between directors or company auditors.

13. Parent company stock amount ¥— million

14. Monetary claim amount of affiliates ¥23 million

15. Monetary obligation amount of affiliates ¥2,966 million

### (Notes to Income Statement)

1. Income related to transactions with affiliated companies

Total income from interest income transactions	¥— million
Total income from fee & commission transactions	¥125 million
Total income from other operations, other ordinary transactions	¥— million
Total income from other transactions	¥— million

Expenses related to transactions with affiliated companies

Total expenses from interest income transactions	¥73 million
Total expenses from fee & commission transactions	¥— million
Total expenses from other operations, other ordinary transactions	¥— million
Total expenses from other transactions	¥1,378 million

2. Other extraordinary income is income from the liquidating dividend of subsidiaries.

3. Related Party Transactions

(1) Parent company and major corporate shareholders

(Unit: million JPY)

Type	Name of company, etc.	Percentage of voting rights holding (held)	Relationship	Description of transactions	Transaction amounts	Accounts	Outstanding amount at the end of the fiscal year
Parent company	Rakuten, Inc.	Directly held 100.0%	Concurrent positions as officers	Guarantee of debts	*2 ¥ 137	Acceptances and guarantees	*1 ¥ 347
			Secondment of employees	Issuance of corporate bonds	*2 —	Bonds payable	*3 5,000

(Notes) (\*1) The Bank guarantees the outstanding amount of electronic money.

(\*2) Transaction amounts for issuance of corporate bonds and guarantee of debts are presented in net amounts.

(\*3) Interest rate of corporate bonds is determined in reference to the market rate.

(2) Subsidiaries and affiliates

There are no significant transactions to be disclosed regarding subsidiaries and affiliates.

(3) Fellow subsidiaries

(Unit: million JPY)

Type	Name of company, etc.	Percentage of voting rights holding (held)	Relationship	Description of transactions	Transaction amounts	Accounts	Outstanding amount at the end of the fiscal year
Subsidiary of the parent	Rakuten Securities, Inc.	—	Outsourcing, etc.	Fund loan transactions	*2 ¥ (3,000)	Call loans	*1 ¥ 9,000
Subsidiary of the parent	RakutenCard Co., Ltd.	—	Guarantee of debts, outsourcing, collection agency business, etc.	Subscription of electronic commercial paper	*2 ¥ 5,998	Short-term corporate bonds	*1 ¥ 5,998
				Subscription of beneficiary rights	*2 48,396	Monetary claims bought	*1 114,285
				Guarantee of personal loan claims	148,571	—	—
				Payment of guarantee fees	*3 6,405	—	—
Subsidiary of the parent	bitWallet, Inc.	—	Guarantee of debts	Guarantee of debts	*2 ¥ —	Acceptances and guarantees	*1 ¥ 3,463
				Receipt of subrogated redemption	4,069	—	—

(Notes) (\*1) Transaction terms with the fellow subsidiaries are the same as those with non-related parties.

(\*2) Transactions amounts of fund loan transactions, subscription of electronic commercial paper, subscription of beneficiary rights and guarantee of debts are presented in net amounts.

(\*3) Guarantee fees are determined based on the consultation with RakutenCard Co., Ltd. with reference to the rates of guarantee fees generally employed.

### (Notes to Statements of Changes in Net Assets)

Class and number of treasury shares

Not applicable.

### (Notes to Marketable securities)

In addition to government bonds, municipal bonds, short-term corporate bonds, corporate bonds, and other securities. Due from banks includes negotiable deposits, and monetary claims bought include interests in trusts.

1. Trading securities (as of March 31, 2012)

Not applicable.

2. Held-to-maturity securities (as of March 31, 2012)

(Unit: million JPY)

	Category	Carrying value	Fair value	Difference
Those with fair value in excess of carrying value	Government bonds	¥ —	¥ —	¥ —
	Municipal bonds	7,032	7,129	97
	Short-term corporate bonds	—	—	—
	Corporate bonds	—	—	—
	Others	12,200	12,678	478
	Sub-total	19,232	19,808	576
Those with fair value not exceeding carrying value	Government bonds	—	—	—
	Municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	—	—	—
	Others	2,400	2,393	(6)
	Sub-total	2,400	2,393	(6)
Total		¥ 21,632	¥ 22,202	¥ 570

3. Shares in subsidiaries and/or affiliated companies (as of March 31, 2012)

	Balance sheet amount	Fair value	Difference
Subsidiaries	—	—	—
Affiliates	—	—	—
Total	—	—	—

(Note) Shares in subsidiaries and/or affiliates for which it is difficult to assess the fair value

	Balance sheet amount
Subsidiaries	888
Affiliates	—
Total	888

In regards to the above, as a market price does not exist, it is difficult to assess their fair value and therefore they are not included in Shares in subsidiaries and/or affiliates.

4. Available-for-sale securities (as of March 31, 2012)

	Category	Carrying Value	Fair value	Difference
Those with Carrying value in excess of acquisition costs	Shares	¥ —	¥ —	¥ —
	Bonds	146,764	143,031	3,733
	Government bonds	116,087	112,409	3,677
	Municipal bonds	—	—	—
	Short-term corporate bonds	14,495	14,494	1
	Corporate bonds	16,181	16,126	54
	Others	173,637	171,888	1,748
	Sub-total	320,401	314,919	5,482
	Shares	—	—	—
	Bonds	17,166	17,268	(102)
Those with Carrying value not exceeding acquisition costs	Government bonds	4,898	4,898	(0)
	Municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	12,268	12,369	(101)
	Others	142,372	143,503	(1,131)
	Sub-total	159,538	160,771	(1,233)
	Total	¥ 479,940	¥ 475,691	¥ 4,248

(Note) Available-for-sale securities for which it is difficult to assess the fair value

	Carrying Value
Stocks	73
Other	—
Total	73

In regards to the above, as a market price does not exist, it is difficult to assess their fair value and therefore they are not included in available-for-sales securities.

5. Bonds held-to-maturity sold during the fiscal year under review (April 1, 2011 to March 31, 2012)

Not applicable

6. Available-for-sale securities sold during the fiscal year under review (April 1, 2011 to March 31, 2012)

Category	Proceeds from Sale	Total gains on Sale	Total losses on Sale
Shares	—	—	—
Bonds	33,225	1,046	—
Government bonds	32,029	837	—
Municipal bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	1,195	209	—
Others	8,560	245	323
Total	41,785	1,292	323

7. Marketable securities which recognized impairment loss

Of the marketable securities with fair value (excluding trading securities), those with fair value significantly reduced compared to their acquisition costs and with no prospect of recovery of the fair value up to the acquisition costs, are recorded in the balance sheet using the fair value, and valuation difference is recorded as loss for the fiscal year under review (hereinafter "impairment loss"). Impairment loss was ¥1,700 million for the fiscal year under review. Marketable securities with fair value declined by more than approximately 50% compared to their acquisition costs are deemed to have declined significantly with no prospect of recovery and impairment loss is recognized, unless there is reasonable evidence to prove otherwise. Furthermore, even the cases where such decline in fair value is less than approximately 50% but larger than 30%, will be subject to assessment of recoverability of fair value, and impairment loss is recognized if necessary.

(Notes to money held in trust)

1. Money held in trust for investment (as of March 31, 2012)

	Carrying Value	Valuation difference included in profit or loss for the fiscal year under review
Money held in trust for investment	¥615	¥ —

2. Money held in trust to maturity (as of March 31, 2012)

Not applicable.

3. Other money held in trust (other than those held for investment or to maturity) (as of March 31, 2012)

Not applicable.

(Notes to tax effect accounting)

1. The breakdown of deferred tax assets and deferred tax liabilities by cause for development is as below

Deferred tax assets	
Tax loss carry forwards	¥15,076 million
Allowance for doubtful accounts	¥434 million
Unallowable depreciation expenses	¥750 million
Unallowable amortization expenses on deferred assets	¥8 million
Redemption of marketable securities	¥2,154 million
Other	¥396 million
Deferred tax assets sub-total	¥18,821 million
Valuation difference	¥ (11,261) million
Deferred tax assets total	¥7,560 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥1,512 million
Deferred tax liabilities total	¥1,512 million
Offset from Deferred Tax Assets	¥1,512 million
Net amount of Deferred Tax Assets	¥6,048 million

2. Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No.114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117, 2011) on December 2, 2011, the corporate income tax rate will be lowered and special restoration corporation tax will be imposed from the fiscal years beginning on or after April 1, 2012. In conjunction with these changes, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities will change for the temporary differences expected to be resolved from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, and for the temporary differences expected to be resolved from the fiscal year beginning on or after April 1, 2015, from the former 40.69% to 38.01% and 35.64%, respectively. As a result of this change, deferred tax assets has decreased by JPY 716 million, valuation difference on available-for-sale securities has decreased by JPY 214 million, and income taxes-deferred has increased by JPY 501 million.

In addition, due to the application of loss-carryover system from the fiscal year beginning on or after April 1, 2012, loss-carryover is limited within 80% of the income before the loss-carryover, deferred tax assets decreased JPY 1,357 million and income taxes-deferred increased JPY 1,357 million.

(Per share information)

Net assets per share	¥19,250.39
Net income per share	¥ 4,840.43

(Significant subsequent events)

Not applicable.

## Results of Operations

### ■ Gross Profits

(Unit: JPY million)

	FY2010	FY2011
Net Interest Income	14,875	16,993
Net Fee and Commission Income	2,953	2,690
Net Other Operating Income	621	2,196
Gross Ordinary Profit	18,450	21,887
Gross Profit Margin Ratio	2.51%	2.84%

(Notes) 1. Gross profit = (Net interest income + expenses commensurate with money held in trust) + net fee and commission income + net other operating income  
 2. The Gross profit margin ratio is calculated by dividing the gross profit fiscal year equivalent by the average balance of the interest account.

### ■ Net Business Profits

(Unit: JPY million)

	FY2010	FY2011
Net Business Profit	2,123	6,066
Core Net Business Profit	3,441	6,062

(Note) Core net business profit = gross profit – general and administrative expenses (excluding non-recurring losses) – provision for reserve for bad debts + gains (losses) on money held in trust

### ■ Fund Management and Procurement Account Average Balance, Interest and Yield

(Unit: JPY million)

		Average Balance		Interest		Yield	
		FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Domestic Operations	Use of Funds	584,776	622,725	15,845	17,414	2.70%	2.79%
	Loans and Bills Discounted	115,019	149,247	10,700	13,235	9.30%	8.86%
	Securities	200,693	193,043	1,850	1,376	0.92%	0.71%
	Due from Banks	24,484	35,529	70	75	0.28%	0.21%
	Source of Funds	656,680	673,132	2,582	1,670	0.39%	0.24%
	Deposits	646,893	670,253	2,154	1,583	0.33%	0.23%
Overseas Operations	Use of Funds	148,897	147,155	2,255	1,970	1.51%	1.33%
	Loans and Bills Discounted	—	—	—	—	—	—
	Securities	148,897	144,430	2,255	1,970	1.51%	1.36%
	Due from Banks	—	—	—	—	—	—
	Source of Funds	65,563	70,003	693	720	1.05%	1.02%
	Deposits	65,563	70,003	693	720	1.05%	1.02%
Total	Use of Funds	733,673	769,881	18,100	19,385	2.46%	2.51%
	Loans and Bills Discounted	115,019	149,247	10,700	13,235	9.30%	8.86%
	Securities	349,590	337,474	4,105	3,346	1.17%	0.99%
	Due from Banks	24,484	35,529	70	75	0.28%	0.21%
	Source of Funds	722,243	743,135	3,275	2,391	0.45%	0.32%
	Deposits	712,456	740,256	2,848	2,304	0.39%	0.31%

(Note) Source of Funds\* does not include average balance or interest commensurate with money held in trust

## Interest Income and Interest Expenses

(Unit: JPY million)

		Domestic Operations		Overseas Operations		Total	
		FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Interest Income	Gain (loss) due to balance	(334)	754	985	(25)	651	728
	Gain (loss) due to rate	416	814	(106)	(259)	310	555
	Net gain (loss)	82	1,569	879	(284)	961	1,284
Interest Expense	Gain (loss) due to balance	(595)	66	9,060	44	8,464	111
	Gain (loss) due to rate	(1,561)	(977)	(9,447)	(17)	(11,008)	(995)
	Net gain (loss)	(2,157)	(911)	(387)	27	(2,544)	(883)

(Note) 1. For the portions where the reason of gain (loss) overlaps between balance and rate, it is divided based on the ratio of both sides.

## Fee and Commissions

(Unit: JPY million)

	Domestic Operations		Overseas Operations		Total	
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Fee and commission income	12,445	13,668	206	341	12,652	14,010
Fee and commission expense	9,697	11,314	0	4	9,698	11,319

## Other Operations

(Unit: JPY million)

	Domestic Operations		Overseas Operations		Total	
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Other operations income	2,522	2,763	1,385	1,470	3,908	4,234
Other operations expense	2,986	2,013	300	24	3,286	2,037

## ■ General and Administrative Expenses

(Unit: JPY million)

	FY2010	FY2011
Salaries and Benefits	2,342	2,750
Retirement Benefits	15	16
Employee Benefits	236	294
Depreciation and Amortization	2,324	2,193
Rent of Premises and Equipment	845	802
Maintenance and Repairs	191	240
Supplies	170	147
Utilities	23	24
Travel	22	34
Communications	563	580
Advertising	1,628	1,703
Taxes, Other than Income Taxes	444	441
Others	6,199	6,592
Total	15,008	15,821

## ■ Profit Margin

	FY2010	FY2011
Ordinary income to total assets	0.30%	0.82%
Ordinary income to capital	7.59%	16.40%
Net income to total assets	0.68%	1.40%
Net income to capital	17.04%	28.16%

## ■ Interest Margin

	Domestic Operations		Overseas Operations		Total	
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Average Interest Rate on Interest-Bearing Liabilities	2.70%	2.78%	1.51%	1.36%	2.46%	2.51%
Average Interest Rate on Funds Procured	2.71%	2.59%	1.05%	1.02%	2.56%	2.44%
Total Interest Rate Spread	(0.01)%	0.19%	0.46%	0.34%	(0.10)%	0.07%

# Financial Conditions

## (Deposits)

### ■ Balances by Type of Deposit

#### (Fiscal Year End Balance)

(Unit: JPY million)

	Domestic Operations		Overseas Operations		Total	
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Liquid Deposits	337,027	400,126	41,478	42,072	378,506	442,199
Term Deposits	307,915	288,182	28,723	27,970	336,638	316,153
Fixed interest term deposits	307,915	288,182	28,723	27,970	336,638	316,153
Floating interest term deposits	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	644,943	688,308	70,201	70,043	715,144	758,352
Negotiable Certificates of Deposit	—	—	—	—	—	—
Total	644,943	688,308	70,201	70,043	715,144	758,352

#### (Average Balance)

(Unit: JPY million)

	Domestic Operations		Overseas Operations		Total	
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Liquid Deposits	317,223	376,562	37,394	40,568	354,618	417,130
Term Deposits	329,669	293,691	28,168	29,434	357,838	323,125
Fixed interest term deposits	329,669	293,691	28,168	29,434	357,838	323,125
Floating interest term deposits	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	646,893	670,253	65,563	70,003	712,456	740,256
Negotiable Certificates of Deposit	—	—	—	—	—	—
Total	646,893	670,253	65,563	70,003	712,456	740,256

### ■ Term Deposit Balance per Remaining Period to Maturity

(Unit: JPY million)

FY2010	Less than 3 months	4 months to 6 months	7 months to 1 year	Over 1 year-less than 2 years	Over 2 year-less than 3 years	Over 3 years	Total
Fixed interest term deposits	68,125	51,442	74,335	22,510	17,998	73,504	307,915
Floating interest term deposits	—	—	—	—	—	—	—
Total	68,125	51,442	74,335	22,510	17,998	73,504	307,915

(Unit: JPY million)

FY2011	Less than 3 months	4 months to 6 months	7 months to 1 year	Over 1 year-less than 2 years	Over 2 year-less than 3 years	Over 3 years	Total
Fixed interest term deposits	52,521	44,147	60,580	23,116	7,644	100,171	288,182
Floating interest term deposits	—	—	—	—	—	—	—
Total	52,521	44,147	60,580	23,116	7,644	100,171	288,182

## (Loans)

### ■ Balances by Type of Loan

#### (Fiscal Year End Balance)

(Unit: JPY million)

	Domestic Operations		Overseas Operations		Total	
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Loans on Bills	—	—	—	—	—	—
Loans on Deeds	17,616	15,406	—	—	17,616	15,406
Bills discounted	—	—	—	—	—	—
Overdrafts	117,818	148,710	—	—	117,818	148,710
Total	135,435	164,116	—	—	135,435	164,116

#### (Average Balance)

(Unit: JPY million)

	Domestic Operations		Overseas Operations		Total	
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Loans on Bills	—	—	—	—	—	—
Loans on Deeds	10,074	17,030	—	—	10,074	17,030
Bills discounted	—	—	—	—	—	—
Overdrafts	104,944	132,216	—	—	104,944	132,216
Total	115,019	149,247	—	—	115,019	149,247

### ■ Loan Balance per Remaining Period to Maturity

(Unit: JPY million)

FY2010	Less than 1 year	Over 1 year-less than 3 years	Over 3 years-less than 5 years	Over 5 years-less than 7 years	Without fixed term	Total
Loans	12,162	16	44	38	123,174	135,435
Floating interest	—	—	—	—	—	—
Fixed interest	12,162	16	44	38	123,174	135,435

(Unit: JPY million)

FY2011	Less than 1 year	Over 1 year-less than 3 years	Over 3 years-less than 5 years	Over 5 years-less than 7 years	Without fixed term	Total
Loans	5,486	21	121	96	158,391	164,116
Floating interest	—	—	—	—	60	60
Fixed interest	5,486	21	121	96	158,331	164,056

(Note) Loans with a remaining period of over 7 years are included in "without fixed term"

## ■ Breakdown of loans by industry classification

(Unit: JPY million)

	FY2010		FY2011	
	Loan Balance	%	Loan Balance	%
Domestic	135,435	100.00%	164,116	100.00%
Financial, Insurance business	—	—	—	—
Real estate business	770	0.57%	770	0.47%
Other	134,665	99.43%	163,346	99.53%
Overseas	—	—	—	—
Government	—	—	—	—
Financial institution	—	—	—	—
Other	—	—	—	—
Total	135,435	100.00%	164,116	100.00%

## ■ Breakdown of loans by purpose

(Unit: JPY million)

	FY2010		FY2011	
	Loan Balance	%	Loan Balance	%
Equipment funds	—	—	—	—
Working Capital	135,435	100.00%	164,116	100.00%
Total	135,435	100.00%	164,116	100.00%

## ■ Loans to Small and Medium-sized enterprises

(Unit: JPY million)

			FY2010	FY2011
Total Loans	①	Borrowers	75,843	106,411
		Amount	135,435	164,116
Small and medium-sized enterprise loans	②	Borrowers	75,843	106,411
		Amount	135,435	164,116
Ratio	②/①	Borrowers	100.00%	100.00%
		Amount	100.00%	100.00%

(Note) Small and medium enterprises are defined as corporations with less than JPY 300 million in capital (Except, wholesale business of JPY 100 million, retail, restaurant and/or rental and leasing business of JPY 50 million) and less than 300 employees (Except, wholesale business of 100 employees, retail, restaurant and/or rental and leasing business of 50 employees)

## ■ Conditions of Credit-related transactions with Rakuten Group

(Unit: JPY million)

	FY2010	FY2011
Rakuten, Inc.	210	350
bitwallet, Inc.	3,463	3,463
RakutenCard Co., Ltd.	65,889	120,284

(Note) 1. The scope of credit-related transactions includes loans, acceptances & guarantees, equity & investments, and monetary claims bought related to Rakuten Group.

2. All credit-related transactions with RakutenCard Co., Ltd are monetary claims bought originated by RakutenCard Co., Ltd.

## ■ Breakdown of loans by collateral

(Unit: JPY million)

	FY2010	FY2011
Marketable Securities	—	—
Bonds	—	—
Merchandise	—	—
Real Estate	—	—
Other	—	—
Subtotal	—	—
Guarantees	135,435	164,116
Trust	—	—
Total	135,435	164,116

## ■ Acceptances and Guarantees Outstanding

(Unit: JPY million)

		FY2010	FY2011
Acceptances	Accounts	—	—
	Amount	—	—
Letter of Credit	Accounts	—	—
	Amount	—	—
Guarantee	Accounts	3	3
	Amount	3,673	3,811
Total	Accounts	3	3
	Amount	3,673	3,811

## ■ Customer liabilities for Acceptances & Guarantees Outstanding Collateral

(Unit: JPY million)

	FY2010	FY2011
Marketable Securities	—	—
Bonds	—	—
Merchandise	—	—
Real Estate	—	—
Other	3,673	3,811
Subtotal	3,673	3,811
Guarantees	—	—
Trust	—	—
Total	3,673	3,811

## ■ Outstanding Specific Overseas Loans

Not applicable

## ■ Loan-deposit ratio

(Unit: JPY million)

Category	Domestic Operations		Overseas Operations		Total		
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011	
Loan-deposit ratio	Loans (A)	135,435	164,116	—	—	135,435	164,116
	Deposits (B)	644,943	688,308	70,201	70,043	715,144	758,352
	Loan-deposit ratio (A)/(B)	20.99%	23.84%	—	—	18.93%	21.64%
	Average	17.78%	22.26%	—	—	16.14%	20.16%

## ■ Allowance for Doubtful Accounts

(Unit: JPY million)

	FY2010					FY2011				
	Opening Balance	Increase this period	Decrease this period		Ending Balance	Opening Balance	Increase this period	Decrease this period		Ending Balance
			Purpose of Use	Other				Purpose of Use	Other	
General allowance for doubtful accounts	1,235	2,674	—	1,235	2,674	2,674	339	—	2,674	339
Individual allowance for doubtful accounts	3,001	816	2,065	936	816	816	2,336	2,131	163	857
Reserve for Specific Overseas Loan	—	—	—	—	—	—	—	—	—	—

(Note) 1. There is no allowance for doubtful accounts for overseas.

2. As there is nothing to report relating to loans, we have not made classifications by industry and/or counter party.

## ■ Write-off of doubtful accounts

Not applicable

## (Market Value of Marketable Securities and Money Held in Trust)

(as of March 31, 2011)

### Bonds held-to-maturity

(Unit: JPY million)

	Category	FY2010		
		Carrying Value	Fair Value	Variance
Securities with Market Value that exceeds Carrying value	Government Bonds	—	—	—
	Local Government Bonds	7,029	7,169	140
	Short-term Corporate bonds	—	—	—
	Corporate Bonds	—	—	—
	Other	10,300	10,611	311
	Subtotal	17,329	17,781	452
Securities with Market Value that does not exceed Carrying value	Government Bonds	—	—	—
	Local Government Bonds	—	—	—
	Short-term Corporate bonds	—	—	—
	Corporate Bonds	—	—	—
	Other	—	—	—
	Subtotal	—	—	—
Total		17,329	17,781	452

### Other securities

(Unit: JPY million)

	Category	FY2010		
		Carrying Value	Historical Cost	Variance
Securities with Market Value that exceeds Carrying value	Equity Securities	—	—	—
	Bonds	167,473	159,725	7,747
	Government Bonds	150,964	143,285	7,678
	Local Government Bonds	—	—	—
	Short-term Corporate bonds	—	—	—
	Corporate Bonds	16,509	16,440	69
	Other	201,559	199,679	1,880
	Subtotal	369,033	359,405	9,628
Securities with Market Value that does not exceed Carrying value	Equity Securities	—	—	—
	Bonds	14,767	15,073	(306)
	Government Bonds	—	—	—
	Local Government Bonds	—	—	—
	Short-term Corporate bonds	4,999	4,999	(0)
	Corporate Bonds	9,768	10,074	(306)
	Other	117,372	119,223	(1,850)
	Subtotal	132,140	134,297	(2,156)
Total		501,174	493,702	7,471

(Note) Other Securities that the market value is difficult to assess

(Unit: JPY million)

	Carrying Value
Equity Securities	—
Other	93
Total	93

In regards to the above, as a market price does not exist, it is difficult to assess the fair value of the securities, and therefore they are not included in "Other Marketable Securities"

(as of March 31, 2012)

## Bonds held-to-maturity

(Unit: JPY million)

	Category	FY2011		
		Carrying Value	Fair Value	Variance
Securities with Market Value that exceeds Carrying value	Government Bonds	—	—	—
	Local Government Bonds	7,032	7,129	97
	Short-term Corporate bonds	—	—	—
	Corporate Bonds	—	—	—
	Other	12,200	12,678	478
	Subtotal	19,232	19,808	576
Securities with Market Value that does not exceed Carrying value	Government Bonds	—	—	—
	Local Government Bonds	—	—	—
	Short-term Corporate bonds	—	—	—
	Corporate Bonds	—	—	—
	Other	2,400	2,393	(6)
Subtotal	2,400	2,393	(6)	
Total		21,632	22,202	570

## Other securities

(Unit: JPY million)

	Category	FY2011		
		Carrying Value	Historical Cost	Variance
Securities with Market Value that exceeds Carrying value	Equity Securities	—	—	—
	Bonds	146,764	143,031	3,733
	Government Bonds	116,087	112,409	3,677
	Local Government Bonds	—	—	—
	Short-term Corporate bonds	14,495	14,494	1
	Corporate Bonds	16,181	16,126	54
	Other	173,637	171,888	1,748
Subtotal	320,401	314,919	5,482	
Securities with Market Value that does not exceed Carrying value	Equity Securities	—	—	—
	Bonds	17,166	17,268	(102)
	Government Bonds	4,898	4,898	(0)
	Local Government Bonds	—	—	—
	Short-term Corporate bonds	—	—	—
	Corporate Bonds	12,268	12,369	(101)
	Other	142,372	143,503	(1,131)
Subtotal	159,538	160,771	(1,233)	
Total		479,940	475,691	4,248

(Note) Other Securities that the market value is difficult to assess

(Unit: JPY million)

	Carrying Value
Equity Securities	—
Other	73
Total	73

In regards to the above, as a market price does not exist, it is difficult to assess the fair value of the securities, and therefore they are not included in "Other Marketable Securities"

## ■ Valuation difference on available-for-sale securities

The breakdown of the valuation difference of available-for-sale securities listed on the consolidated balance sheet is as follows

(Unit: JPY million)

	FY2010	FY2011
Valuation difference on available-for-sale securities	4,672	2,791
Deferred Tax Assets (Liabilities)	(3,034)	(1,512)
Valuation difference	7,707	4,303

## ■ Market Value Information of Money held in Trust

### ● Money held in Trust for trading purposes

(Unit: JPY million)

	FY2010	FY2011
Carrying Value	6,482	615
Valuation difference in this fiscal year's profit and loss	81	—

### ● Money held in Trust held-to-maturity

Not applicable

### ● Other Money held in trust

Not applicable

## (Derivative Transactions)

### Derivative Transactions

FY2010

#### Interest rate-related Transactions

(Unit: JPY million)

		Contract Value	Over 1 year	Fair Value	Valuation Profit/Loss
Financial instruments exchange	Interest Rate Futures				
	Short	—	—	—	—
	Long	—	—	—	—
	Interest Rate Options				
	Short	—	—	—	—
	Long	—	—	—	—
OTC	Forward Rate Agreement				
	Short	—	—	—	—
	Long	—	—	—	—
	Interest Rate Swap				
	Receive Fixed/Pay Floating	—	—	—	—
	Receive Floating/Pay Fixed	—	—	—	—
	Receive Floating/Pay Floating	—	—	—	—
	Interest rate Swaption				
	Short	81,744	60,565	1,298	1,298
	Long	82,069	60,890	(1,294)	(1,294)
	Interest Rate Options				
	Short	—	—	—	—
	Long	—	—	—	—
	Other				
	Short	—	—	—	—
Long	—	—	—	—	
<b>Total</b>			<b>4</b>	<b>4</b>	

- (Note) 1. The above is based on a mark-to-market valuation, and has been recorded on the Statement of Income  
 2. Market Value Calculation  
 Calculated using Net Present Value and the Option Price Calculation Model.  
 3. Interest Rate Swaption Transactions are shown including Interest Rate Swap Options which are difficult to differentiate for our bank.

#### Foreign Currency-related Transactions

(Unit: JPY million)

		Contract Value	Over 1 year	Fair Value	Valuation Profit/Loss
Financial instruments exchange	Currency Futures				
	Short	—	—	—	—
	Long	—	—	—	—
	Currency Options				
	Short	—	—	—	—
	Long	—	—	—	—
OTC	Currency Swap	—	—	—	—
	FX Forwards				
	Short	26,216	118	(93)	(93)
	Long	76,033	2,477	1,361	1,361
	Currency Options				
	Short	—	—	—	—
	Long	—	—	—	—
	Other				
	Short	—	—	—	—
	Long	—	—	—	—
	<b>Total</b>			<b>1,268</b>	<b>1,268</b>

- (Note) 1. The above is based on a mark-to-market valuation, and has been recorded on the Statement of Income  
 2. Market Value Calculation  
 FX Forward transactions are stated according to forward exchange rates.

#### Equity-related Transactions

No relevant transactions

#### Debt-related Transactions

No relevant transactions

#### Product-related Transactions

No relevant transactions

#### Credit Derivative Transactions

(Unit: JPY million)

		Contract Value	Over 1 year	Fair Value	Valuation Profit/Loss
OTC	Credit Default Options				
	Short	—	—	—	—
	Long	—	—	—	—
	Other				
	Short	500	500	80	80
	Long	—	—	—	—
<b>Total</b>				<b>80</b>	

- (Note) 1. "Other" is credit derivative transactions incorporated in compound instruments.  
 2. The above is based on a mark-to-market valuation, and has been recorded on the Statement of Income  
 3. Market Value Calculation  
 Price is based on that stated by correspondent financial institution.  
 4. Short positions are credit risk acceptance transactions, long positions are credit risk delivery transactions.

## FY2011

### Interest rate-related Transactions

(Unit: JPY million)

		Contract Value	Over 1 year	Market Value	Valuation Profit/Loss
Financial instruments exchange	Interest Rate Futures				
	Short	—	—	—	—
	Long	—	—	—	—
	Interest Rate Options				
	Short	—	—	—	—
	Long	—	—	—	—
OTC	Forward Rate Agreement				
	Short	—	—	—	—
	Long	—	—	—	—
	Interest Rate Swap				
	Receive Fixed/Pay Floating	—	—	—	—
	Receive Floating/Pay Fixed	—	—	—	—
	Receive Floating/Pay Floating	—	—	—	—
	Interest rate Swaption				
	Short	102,169	96,789	851	851
	Long	102,183	96,822	(849)	(849)
	Interest Rate Options				
	Short	—	—	—	—
Long	—	—	—	—	
Other					
Short	—	—	—	—	
Long	—	—	—	—	
	Total	—	—	2	2

(Note) 1. The above is based on a mark-to-market valuation, and has been recorded on the Statement of Income

2. Market Value Calculation

Calculated using Net Present Value and the Option Price Calculation Model.

3. Interest Rate Swaption Transactions are shown including Interest Rate Swap Options which are difficult to differentiate for our bank.

### Foreign Currency-related Transactions

(Unit: JPY million)

		Contract Value	Over 1 year	Market Value	Valuation Profit/Loss
Financial instruments exchange	Currency Futures				
	Short	—	—	—	—
	Long	—	—	—	—
	Currency Options				
	Short	—	—	—	—
	Long	—	—	—	—
OTC	Currency Swap	—	—	—	—
	FX Forwards				
	Short	24,798	188	(86)	(86)
	Long	76,884	3,422	1,548	1,548
	Currency Options				
	Short	—	—	—	—
	Long	—	—	—	—
	Other				
Short	—	—	—	—	
Long	—	—	—	—	
	Total	—	—	1,462	1,462

(Note) 1. The above is based on a mark-to-market valuation, and has been recorded on the Statement of Income

2. Market Value Calculation

FX Forward transactions are stated according to forward exchange rates.

### Equity-related Transactions

No relevant transactions

### Debt-related Transactions

No relevant transactions

### Product-related Transactions

No relevant transactions

### Credit Derivative Transactions

No relevant transactions

## (Marketable Securities)

### ■Marketable Securities

#### (Fiscal Year End Balance)

(Unit: JPY million)

	Domestic Operations		Overseas Operations		Total	
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Government Bonds	150,964	120,985	—	—	150,964	120,985
Municipal Bonds	7,029	7,032	—	—	7,029	7,032
Short-term Corporate bonds	4,999	14,495	—	—	4,999	14,495
Corporate Bonds	26,277	28,449	—	—	26,277	28,449
Equity	270	707	—	—	270	707
Other Securities	4,119	4,341	148,897	128,622	153,016	132,964
Total	193,660	176,012	148,897	128,622	342,557	304,635

#### (Average Balance)

(Unit: JPY million)

	Domestic Operations		Overseas Operations		Total	
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Government Bonds	151,741	144,365	—	—	151,741	144,365
Municipal Bonds	7,027	7,030	—	—	7,027	7,030
Short-term Corporate bonds	17,418	11,567	—	—	17,418	11,567
Corporate Bonds	25,835	25,573	—	—	25,835	25,573
Equity	281	422	—	—	281	422
Other Securities	4,292	4,284	142,993	144,230	147,286	148,514
Total	206,597	193,243	142,993	144,230	349,590	337,474

### ■Marketable Securities per remaining period to maturity

(Unit: JPY million)

FY2010	Less than 1 year	Over 1 year Less than 5 years	Over 5 years Less than 10 years	Over 10 years
Government Bonds	—	6,000	101,500	38,200
Municipal Bonds	—	7,035	—	—
Short-term Corporate bonds	5,000	—	—	—
Corporate Bonds	1,919	18,777	1,500	4,323
Other	25,326	109,558	4,550	9,650
Total	32,245	141,371	107,550	52,173

(Note) As redemption value of Government Housing Loan Corporation bonds (Collateral Loan Claims "s" and Collateral Loan Claims) is not fixed it is included in over 10 years.

(Unit: JPY million)

FY2011	Less than 1 year	Over 1 year Less than 5 years	Over 5 years Less than 10 years	Over 10 years
Government Bonds	4,898	10,504	105,583	—
Municipal Bonds	—	7,032	—	—
Short-term Corporate bonds	14,495	—	—	—
Corporate Bonds	885	23,024	—	4,539
Other	16,169	96,733	11,086	4,440
Total	36,448	137,294	116,669	8,980

(Note) As redemption value of Government Housing Loan Corporation bonds (Collateral Loan Claims "s" and Collateral Loan Claims) is not fixed it is included in over 10 years.

## ■ Marketable securities to deposit ratio

(Unit: JPY million)

Category		Domestic Operations		Overseas Operations		Total	
		FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Security-deposit ratio	Marketable Securities (A)	193,660	176,012	148,897	128,622	342,557	304,635
	Deposits (B)	644,943	688,308	70,201	70,043	715,144	758,352
	Security-deposit ratio (A)/(B)	30.02%	25.57%	212.09%	183.63%	47.90%	40.17%
	Average	31.93%	28.80%	218.09%	206.32%	49.06%	45.58%

## ■ Trading securities average balance

Not applicable

## (Risk Management Loans, Asset Assessment)

### ■ Risk Management Loans under the Banking Law

(Unit: JPY million)

	FY2010	FY2011
Bankrupt Loans	770	770
Delinquent Loans	—	—
Delinquent Loans over 3 months due	—	—
Restructured Loans	—	—
Total	770	770

### ■ Loans disclosed under the Financial Revitalization Law

(Unit: JPY million)

	FY2010	FY2011
Claims in bankruptcy & reorganization, and similar claims	879	862
Doubtful Claims	—	32
Substandard Claims	—	—
Normal Claims	142,541	169,798
Total	143,420	170,693

(Note) The above is based on Act on Emergency Measures for the Revitalization of the Financial Functions

# Capital Adequacy Ratio

## ■ Consolidated Capital Adequacy Ratio (Japanese Domestic Standard)

(Unit: JPY million)

		FY2010 March 31, 2011	FY2011 March 31, 2012
Basic Items (Tier 1)	Common Stock	25,954	25,954
	Non-cumulative Preferred Stock	—	—
	New Stock Subscriptions	—	—
	Capital Surplus	2,468	2,468
	Retained Earnings	3,064	13,826
	Treasury Stock	—	—
	Advances on Treasury Stock Subscriptions	—	—
	Estimation of distributed income	—	—
	Valuation difference on available-for-sale securities	—	—
	Foreign Currency Translation Adjustment	—	—
	Stock Warrants	—	—
	Minority Interests in Consolidated Subsidiaries	214	—
	Preferred subscription certificates issued by overseas special purpose company	—	—
	Business Rights Equivalent	—	—
	Goodwill Equivalent	—	—
	Intangible Assets from Business Combination	—	—
	Equivalent of Capital from Securitization Transactions	—	—
	Total of Tier 1 Capital before Deduction of Deferred Tax Assets (Total of the Above Items)	31,701	42,249
	Deferred Tax Assets Deductible	—	—
	Tier 1 Total (A)	31,701	42,249
Preferred Securities with a Step-up Interest Rate Provision (Note 1)	—	—	
Supplementary Items (Tier 2)	45% of Reserve for Revaluation of Land	—	—
	General Allowance for Loan Losses	1,773	339
	Hybrid debt capital instruments, etc.	5,000	5,000
	Perpetual Subordinated Debt (Note 2)	—	—
	Subordinated Debt and Redeemable Preferred Stock (Note 3)	5,000	5,000
	Tier 2 Total (B)	6,773	5,339
Amount Included in Capital (C)	6,773	5,339	
Deduction (D)	Deduction from Capital (Note 4)	3,913	392
Total Capital (E)	Total Capital (A) + (B) – (C)	34,560	47,196
Risk-adjusted Assets	On-Balance Sheet Asset Items	230,026	283,540
	Off-Balance Sheet Asset Items	17,758	18,814
	Credit Risk-weighted Assets (F)	247,785	302,354
	Operational Risk Equivalent Amount ((G)/8%) (G)	35,961	37,400
	(Reference) Operational Risk Equivalent (H)	2,876	2,992
Total (E) + (F)	283,746	339,755	
Capital Adequacy Ratio (Japanese Domestic Standard) = D/H x 100 (%)		12.18	13.89
(Reference) Tier 1 Capital Ratio = A/H x 100 (%)		11.17	12.43

(Notes) 1. That described in Paragraph 2, Article 28 of the Notification; specifically, shares (including preferred subscription certificates issued by overseas special purpose companies) for which the value is likely to be recovered, because it comes attached with special provision such as step-up interest.

2. Debt possessing all of the attributes described below, and funding instruments with a debt-like nature as described in paragraph 1, No.3, Article 29 of the Notification

(1) Debt that is unsecured and paid-up that is subordinate to other debt

(2) Excluding certain cases, debt that will not be repaid

(3) Debt allocated to losses incurred in order to ensure continuous operations

(4) Debt that has been granted an extension of the interest payment obligation

3. That described in Paragraph 1, No.4 and 5, Article 29 of the Notification. However, subordinated debt is limited to that which had a redemption period of more than five years at the time of the contract.

4. That which was raised in Paragraph 1, No.1 through 5, Article 31 of the Notification, includes the intentionally held equivalent amount of funding instruments of other financial institutions and the equivalent amount of investment stipulated in Paragraph 2.

## ■ Non-Consolidated Capital Adequacy Ratio (Japanese Domestic Standard)

(Unit: JPY million)

		FY2010 March 31, 2011	FY2011 March 31, 2012
Basic Items (Tier 1)	Common Stock	25,954	25,954
	Non-cumulative Preferred Stock	—	—
	New Stock Subscription	—	—
	Capital Surplus Reserve	2,468	2,468
	Other Capital Surplus	—	—
	Earned Surplus Reserve	—	—
	Other Retained Earnings	2,536	13,908
	Others	—	—
	Treasury Stock	—	—
	Advance on Treasury Stock Subscription	—	—
	Estimation of distributed income	—	—
	Valuation difference on available-for-sale securities	—	—
	Stock Warrants	—	—
	Business Rights Equivalent	—	—
	Goodwill Equivalent	308	—
	Intangible Assets from Business Combination	—	—
	Equivalent of Capital from Securitization Transactions	—	—
	Total of Basic Items before Deferred Income Tax Assets	30,649	42,330
	Deferred Tax Assets Deductible	—	—
	Tier 1 Total (A)	30,649	42,330
	Step-up Preferred Subscription Certificates (Note 1)	—	—
	Preferred subscription certificates issued by overseas special purpose company	—	—
Supplementary Items (Tier 2)	45% of Reserve for Revaluation of Land	—	—
	General Allowance for Loan Losses	1,883	339
	Hybrid debt capital instruments, etc.	5,000	5,000
	Perpetual Subordinated Debt (Note 2)	—	—
	Subordinated Debt and Redeemable Preferred Stock (Note 3)	5,000	5,000
Tier 2 Total	6,883	5,339	
	Amount Included in Capital (B)	6,883	5,339
Deduction <sup>1</sup>	Deduction from Capital (Note 4) (C)	3,913	392
Total Capital	Total Capital (A) + (B) - (C) (D)	33,619	47,278
Risk-adjusted Assets	On-Balance Sheet Asset Items	230,450	284,370
	Off-Balance Sheet Asset Items	17,758	18,814
	Credit Risk-weighted Assets (E)	248,209	303,184
	Operational Risk Equivalent Amount ((G)/8%) (F)	53,159	36,974
	(Reference) Operational Risk Equivalent (G)	4,252	2,957
	Total (E) + (F) (H)	301,369	340,159
	Capital Adequacy Ratio (Japanese Domestic Standard) = D/H x 100 (%)	11.15	13.89
	(Reference) Tier 1 Capital Ratio = A/H x 100 (%)	10.17	12.44

(Notes) 1. That described in Paragraph 2, Article 40 of the Notification; specifically, shares (including preferred subscription certificates issued by overseas special purpose companies) for which the value is likely to be recovered, because it comes attached with special provision such as step-up interest.

2. Debt possessing all of the attributes described below, and funding instruments with a debt-like nature as described in paragraph 1, No.3, Article 41 of the Notification

(1) Debt that is unsecured and paid-up that is subordinate to other debt

(2) Excluding certain cases, debt that will not be repaid

(3) Debt allocated to losses incurred in order to ensure continuous operations

(4) Debt that has been granted an extension of the interest payment obligation

3. That described in Paragraph 1, No.4 and 5, Article 41 of the Notification. However, subordinated debt is limited to that which had a redemption period of more than five years at the time of the contract.

4. That which was raised in Paragraph 1, No.1 through 5, Article 43 of the Notification, includes the intentionally held equivalent amount of funding instruments of other financial institutions.

# Corporate Summary

## ■ Summary (as of March 31, 2012)

Company Name	Rakuten Bank, Ltd.
Corporate Headquarters	Shinagawa Seaside Rakuten Tower, 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo, 140-0002
Corporate Establishment	January 14, 2000
Operations Launch	July 23, 2001
Capital	25,954 million JPY
Employees	292 people (not including non-regular staff and temporary employees)

## ■ Business Office Names & Locations (as of March 31, 2012)

Central Branch location	Shinagawa Seaside Rakuten Tower, 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo, 140-0002
Branch location	Shinagawa Seaside Rakuten Tower, 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo, 140-0002
Branch Names	Jazz branch, Rock branch, Samba branch, Waltz branch, Opera branch, Tango branch, Salsa branch, Dance branch, Rhythm branch, Beat branch, March branch, Piano branch, Drum branch, First sales branch, Hikari branch, Central branch First Corporate branch, Second Corporate branch, Third Corporate branch, Fourth Corporate branch, Fifth Corporate branch, Sixth Corporate Branch Rakuten Securities branch, Rakuten First Branch, Rakuten Second branch, Rakuten Third branch, Rakuten Fourth branch

## ■ Executive Officers (as of July 15, 2012)

Title	Name	Position and/or Concurrent Posts held
Chairman	Atsushi Kunishige	Representative Director and Vice President of Rakuten Inc.
President & CEO	Shunichi Nagata	
Representative Director & Executive Vice-President	Akihito Nohara	Director-in-Charge of Business & Marketing Division, Business Planning Division (also General Manager) , Home Loan Division, System Development Division, System Operation Division, Customer Support Division, Operations Division
Director & Senior Executive Officer	Takeo Shikado	Director-in-Charge of Risk Management Division and Compliance Division
Director	Katsuaki Ikeda*	Standing statutory auditor of MS&AD Insurance Group Holdings , Inc.
Director	Osamu Sudo*	Partner of Sudoh & Takai Law Offices
Director	Hiroshi Mikitani*	Chairman & CEO of Rakuten, Inc.
Director	Takeo Sekihara*	Auditor of Kyodo Yushi Co., Ltd
Director	Masayuki Hosaka*	Director of Rakuten, Inc & President and CEO of Rakuten Card Co., Ltd.
Director	Shigeru Hikuma*	External Auditor of The Shiga Bank, Ltd.
Full-time Company Auditor	Tetsuya Saito*	
Corporate Auditor	Yoshiaki Senoo*	Company Auditor of Rakuten, Inc.
Corporate Auditor	Eiichi Seki*	Special Advisor of Polaris Capital Group Co, Ltd.
Corporate Auditor	Ken Takayama*	Senior Executive Officer and Director of Rakuten, Inc.

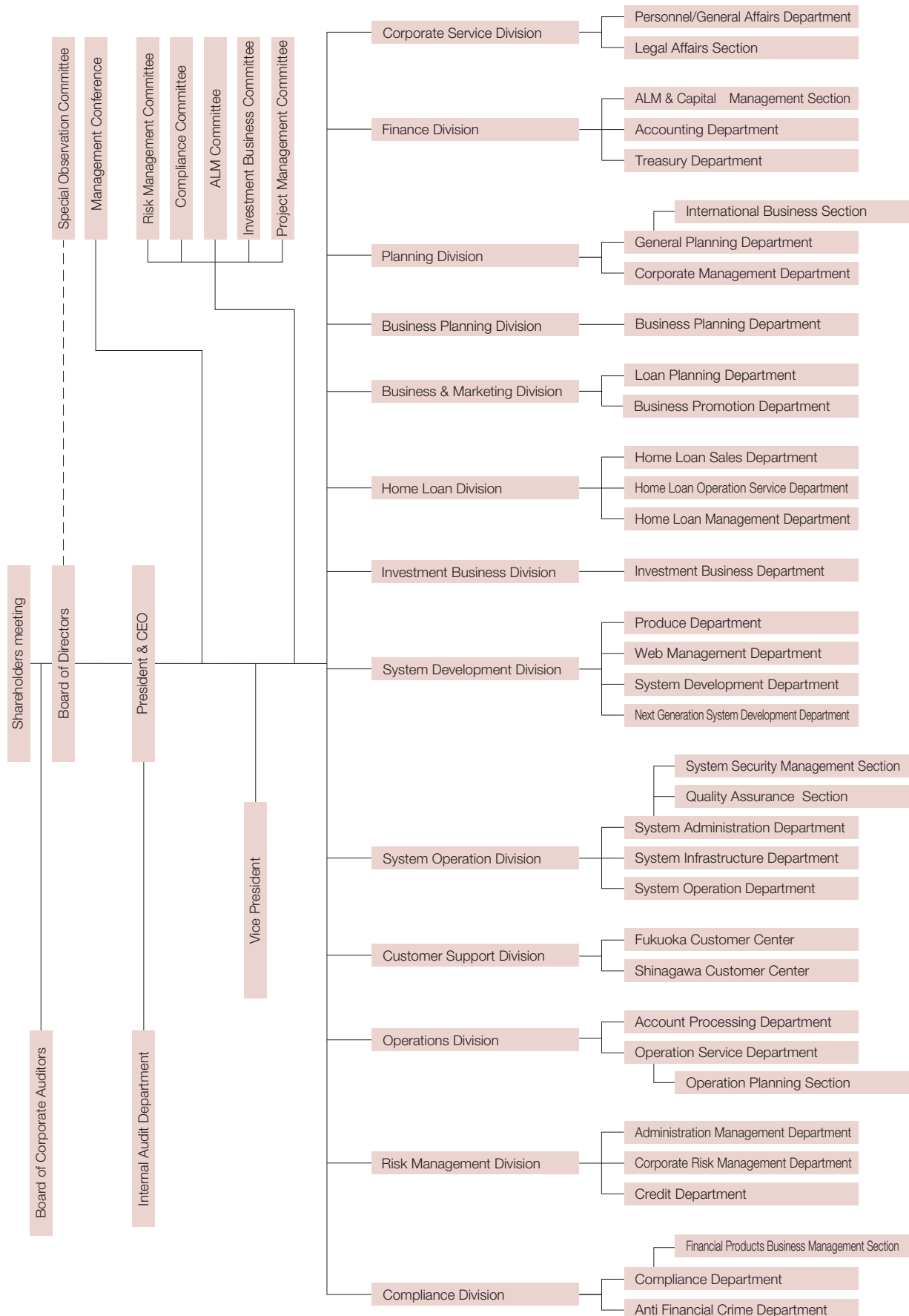
\* External Director and Auditor

## ■ Shareholders (as of March 31, 2012)

Name or Corporate Name	Stock Held	Ownership
Rakuten, Inc.	2,349,484 shares	100%
Total (1 entity)	2,349,484 shares	100%

# Organizational Structure

(as of July, 2012)



# Group Information

## Main Operations

- Rakuten Bank group's businesses can be classified in 4 categories- (1) Settlement service business, (2) Financial service sales business, (3) Investment management business and (4) Other businesses.

### (1) Settlement service business

- Providing domestic exchange business (online settlements) of remittances and transfers via the internet through PC and mobile devices.

### (2) Financial service sales business

- Sales of various investment trusts, sales of financial products such as foreign exchange margin transactions, issuance of cash cards with credit function in alliance with various corporations and introduction of securities account opening

### (3) Investment management business

- Providing ordinary deposits, term deposits and foreign currency deposits
- Operations with full respect to the liquidity specific to an internet-only bank, and interest sensitivity from the perspective of ALM (Asset Liability Management), operations with careful attention to the risk management of asset liquidity and market liquidity

### (4) Other businesses

#### Contracted development of Software

- Rakuten Bank Systems, Ltd. mainly develops and operates our group's bank systems.

#### Advertising business

- Advertising business related to the advertisements on our homepage and mail falling under Bank Law article 10, paragraph 2.

## Group Companies (as of March 31, 2012)

Consolidated Subsidiary Company	
Company Name	Rakuten Bank Systems, Ltd.
Established on	October 22nd 2004
Location	Shinagawa-ku Tokyo-to
Business Activity	Contracted Development of Software
Capital	400 million JPY
Voting Rights	Rakuten Bank 100%

Consolidated Subsidiary Company	
Company Name	eBANK Capital Management (Cayman) Ltd.
Established on	October 21st 2005
Location	British Cayman Islands
Business Activity	Investment Trust Investment Operations
Capital	50 million JPY
Voting Rights	Rakuten Bank 100%

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 **Rakuten Bank**

<http://www.rakuten-bank.co.jp>

Shinagawa Seaside Rakuten Tower 4-12-3 Higashishinagawa,  
Shinagawa-ku, Tokyo 140-0002